

## **Board of Trustees Agenda Item**

**Board Meeting Date:** June 4, 2012

**Title of Item:** Approval of Resolution Adopting New Retirement Plan Effective June 30, 2012 —  
Necessary to Transition to CalPERS Retiree Health Coverage on July 1, 2012

### **Background and Analysis:**

At the March 2012 Board of Trustees meeting, the Board approved terminating its self-insured medical health plans and contracting with CalPERS Health Program for its medical health insurance plan coverage for eligible employees, retirees and dependents. The CalPERS Health Program is available to Community College Districts under the California Public Employees' Medical and Hospital Care Act ("PEMHCA"). In making this change, the District has estimated there will be significant savings.

In order to be eligible to be a qualified retiree for participation under the CalPERS Health Program, the District must be able to certify, in accord with PEMHCA regulations, that all participants are annuitants of the CalPERS or CalSTRS retirement program, or another qualified retirement plan. Some current and future retired employees and former members of the Board of Trustees (and their eligible survivors) are not/will not be annuitants of the CalPERS or CalSTRS Retirement Program and must, therefore, be covered under another qualified retirement plan.

As was reviewed at the May 2012 Board of Trustees meeting, the District engaged outside legal counsel with special expertise in this area, Hanson Bridgett LLP. After careful review, the best alternative for another qualified retirement plan is a defined benefit plan under Internal Revenue Code section 401(a). Individuals who are eligible for District retiree medical coverage but are not receiving a benefit from CalPERS or CalSTRS will receive an annual annuity benefit, equal to \$1.00 per month, under the new qualified retirement plan. The new retirement allowance would exist only to the extent the PEMHCA rules allow for and make it necessary. Since the District will be required to certify to CalPERS that these individuals are annuitants under a District-sponsored qualified retirement plan, the District will file with the IRS for a determination that the new retirement plan satisfies the qualifications for a tax-qualified plan.

The Board is asked to adopt the attached Resolution No. 2012-30 adopting this new qualified Retirement Plan and its related Trust Agreement. Copies of the Retirement Plan document, its related Trust Agreement, and applicable actuarial information concerning the costs of the Retirement Plan are included as attachments to the Resolution.

**Recommendation:** Vice Chancellor McElroy recommends adoption of Resolution No. 2012-30

|                           |   |
|---------------------------|---|
| Submitted by:             | Kevin McElroy, Vice Chancellor of Business Services |
| Additional contact names: |   |
| Is backup provided?       | Yes   |

**FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**RESOLUTION 2012-30**

**ADOPTING THE FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT  
RETIREMENT PLAN AND TRUST AGREEMENT EFFECTIVE JUNE 30, 2012**

**WHEREAS**, the Foothill-De Anza Community College District ("District") has determined to provide medical coverage for active and retired employees through the California Public Employees' Medical and Hospital Care Act ("PEMHCA") effective July 1, 2012; and

**WHEREAS**, in order to be eligible to be a qualified retiree for participation under PEMHCA, the District must be able to certify, in accord with PEMHCA regulations, that participants in the District's program are annuitants of the CalPERS or CalSTRS retirement program, or another qualified retirement plan sponsored by the District; and

**WHEREAS**, some current and future retired employees and former members of the Board of Trustees (and their eligible survivors) are not/will not be annuitants of the CalPERS or CalSTRS Retirement Program and must, therefore, be covered under another qualified retirement plan sponsored by the District; and

**WHEREAS**, after careful review the District has determined that the most appropriate way in which to provide compliance with the PEMHCA requirements for these individuals who are eligible for benefits under the District's retiree medical program is the adoption by the District of a tax-qualified defined benefit pension plan intended solely to provide benefits required to meet the PEMHCA requirements; and

**WHEREAS**, this Board has considered the actuarial information required under Government Code Section 7507, a copy of which is attached to this Resolution; and

**WHEREAS**, in order to comply with the PEMHCA requirements the District must certify that the District-sponsored retirement plan will meet the IRS tax qualification requirements, the District will file with the IRS for a determination that the new retirement plan satisfies the qualifications for a tax-qualified plan;

**NOW, THEREFORE, BE IT RESOLVED** by the Foothill-De Anza Community College District Board of Trustees as follows:

1. The Foothill-De Anza Community College District Retirement Plan (the "Plan") and the Trust Agreement for the Foothill-De Anza Community College District Retirement Plan (the "Trust Agreement") are adopted to be effective June 30, 2012, in the form attached to this Resolution.

2. The District Chancellor or [his/her] designee are authorized to take all other actions and execute all necessary documents to carry out the implementation and administration of the Plan and Trust Agreement, including any actions necessary to file for a determination letter application with the IRS.

**PASSED AND ADOPTED** by the Board of Trustees of the Foothill-De Anza Community College District on June 4, 2012, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

**ATTEST:**

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Linda M. Thor, Ed.D., Chancellor and  
Secretary of the Board of Trustees

# RETIRED BOARD MEMBERS

| Classification | VALIDATION | Last_Name           | First_Name | MI       |
|----------------|------------|---------------------|------------|----------|
| 1              | RET-BOARD  | BOARD/NON-PENSIONER | HAY        | EDWARD   |
| 2              | RET-BOARD  | BOARD/NON-PENSIONER | JOHNSON    | FRANKLIN |
| 4              | RET-BOARD  | BOARD/NON-PENSIONER | SMITHWICK  | ROBERT   |
| 5              | RET-BOARD  | BOARD/NON-PENSIONER | WHEAT      | MARY     |
| 6              | RET-BOARD  | BOARD/NON-PENSIONER | BESSON     | GERALD   |

# RETIRES W/20 YEARS OF SERVICE - NON PENSIONERS

| Classification | VALIDATION | Last_Name          | First_Name | MI      |
|----------------|------------|--------------------|------------|---------|
| 1              | CSEA       | Non PERS pensioner | AGLIPAY    | ERNESTO |
| 2              | ACE        | Non PERS pensioner | CHAPMAN    | CAROLE  |
| 3              | AMA        | Non PERS pensioner | GARCIA     | KIM     |
| 4              | ACE        | Non PERS pensioner | KAZ        | LISA    |
| 5              | ACE        | Non PERS pensioner | KNOWLES    | LINDA   |
| 6              | CSEA       | Non PERS pensioner | LOGAN      | MICHAEL |
| 7              | ACE        | Non PERS pensioner | LOMAX      | MARY-JO |
| 8              | ACE        | Non PERS pensioner | NIELSEN    | SANDRA  |
| 9              | CONF       | Non PERS pensioner | O'BERGH    | JON     |
| 10             | ACE        | Non PERS pensioner | O'CONNELL  | KEVIN   |
| 11             | ACE        | Non PERS pensioner | SHEAD      | BEVERLY |

# RETIRES WITH PAID-BENEFITS

| Classification | Last_Name | First_Name         | MI       |
|----------------|-----------|--------------------|----------|
| 1              | CSEA      | Non PERS pensioner | SCHOOLER |
|                |           | WILLIAM            |          |

# SURVIVORS - NON PENSIONERS

| Classification | VALIDATION | LN                 | FN        |
|----------------|------------|--------------------|-----------|
| 1              | ACE        | Non PERS pensioner | BENCALA   |
| 2              | CSEA       | Non PERS pensioner | CASSARA   |
| 3              | BOARD      | Non PERS pensioner | CHASUK    |
| 4              | FA         | Non STRS pensioner | DAVEY     |
| 5              | ACE        | Non PERS pensioner | DUNN      |
| 6              | FA         | Non STRS pensioner | EPSTEIN   |
| 7              | FA         | Non STRS pensioner | KECKEMETI |
| 8              | FA         | Non STRS pensioner | MONSEN    |
| 9              | CSEA       | Non PERS pensioner | MUSLER    |
| 10             | FA         | Non PERS pensioner | TWOMBLY   |
| 11             | FA         | Non PERS pensioner | WADA      |
| 12             | FA         | Non PERS pensioner | YOUNGMAN  |

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**THE FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

**RETIREMENT PLAN**

(Effective June 30, 2012)

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# **THE FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

## **RETIREMENT PLAN**

**(Effective June 30, 2012)**

### **SECTION 1: ESTABLISHMENT AND PURPOSE OF THE PLAN**

The Foothill-De Anza Community College District Retirement Plan (the "Plan") provides retirement benefits to eligible retirees of the Foothill-De Anza Community College District (the "District"). The Plan was established effective June 30, 2012. The Plan and the Trust Fund established under the Plan are intended to qualify under the applicable provisions of section 401 and related sections of the Internal Revenue Code (the "Code"). It also is intended that the Plan will be a governmental plan under Code section 414(d).

The District's primary retirement benefits are provided to employees through coverage under the CalPERS or the CalSTRS retirement systems. The Plan is intended to provide supplemental benefits under a retirement system sponsored by the District for those employees who retire in the future, former employees, and former and future members of the Board of Trustees of the District who qualify for retiree medical benefits from the District and are not currently receiving retirement allowances under either the CalPERS or CalSTRS retirement systems. The District's medical plan coverage will be provided through CalPERS under the California Public Employees Medical and Hospital Care Act ("PEMHCA") as of July 1, 2012. Previously such retiree medical benefits were provided under a self-insured plan sponsored by the District. It is intended that future and former retirees and future and former retired District Board of Trustees members covered under this Plan meet the requirements for "annuitants" as defined in PEMHCA by receiving a "retirement allowance" under this Plan. The retirement allowance provided under this Plan is intended to be structured such that District retirees who qualified for District retiree medical benefits on June 30, 2012, but do not otherwise meet the PEMHCA requirements, as well as any current or future employees of the District who may terminate employment in the future and qualify for District retiree medical benefits but who do not otherwise meet the PEMHCA requirements, will meet the definition of an "annuitant" under PEMHCA by being provided a retirement allowance under this Plan. This Plan has been established so that the District can satisfy its obligations under certain memorandums of understanding between the District and the unions representing its workforce and through District policy with respect to retiree medical benefits.

### **SECTION 2: DEFINITIONS**

- (a) **Beneficiary** is the Participant's Spouse or Domestic Partner (if any) who survives the Participant's death and is entitled to continuing retiree medical benefits under the District's retiree medical program and who is not an annuitant of CalPERS or CalSTRS.
- (b) **CalPERS** means the California Public Employee Retirement System, of which the District is a participating agency.
- (c) **CalSTRS** means the California State Teachers Retirement System, of which the District is a participating agency.
- (d) **District** means the Foothill-De Anza Community College District.

- (e) **Code** means the Internal Revenue Code of 1986, as amended from time to time, and all applicable rules and regulations issued thereunder pertinent to the tax qualification of this Plan and the tax-exempt status of the Trust Fund.
- (f) **Contributions** means amounts paid by the District to the Trust Fund to fund benefits under the Plan.
- (g) **Domestic Partner** means a domestic partner of a Participant, as defined by the District for purposes of all of its other employee benefit programs, at the date the Participant's benefits commence under the Plan or at the Participant's date of death, as applicable for eligibility for continuing retiree medical benefits under the District's retiree medical program.
- (h) **Effective Date** for this Plan, means June 30, 2012. In the event that the Commissioner of Internal Revenue determines that the Plan is not initially qualified under the Code, any contributions made incident to that initial qualification by the District must be returned to the District within one year after the date the initial qualification is denied, but only if the application for the qualification is made by the time prescribed by law for filing the District's return for the taxable year in which the Plan is adopted, or such later date as the Secretary of the Treasury may prescribe. If the Commissioner of Internal Revenue determines that the Plan is not initially qualified under the Code, the District may terminate the Plan at that time with no further obligations under the Plan whatsoever.
- (i) **Eligible Retiree** means the following:
1. Those current qualified retirees, survivors of qualified retirees, qualified former elected members of the District's Board of Trustees, and survivors of such qualified former elected members of the District's Board of Trustees, who are listed on Appendix "A" hereto, and who were being provided benefits, or were eligible to be provided benefits but waived coverage, under the District's retiree medical program on June 30, 2012, but who are not currently receiving a retirement allowance from CalPERS or CalSTRS.

An error of fact resulting in the inclusion of an individual on Appendix A who was not eligible for coverage under the District's retiree medical program on June 30, 2012, or the exclusion of an individual from Appendix A who was eligible for coverage under the District's retiree medical program on June 30, 2012, shall not result in eligibility for coverage under this Plan or result in the improper exclusion from coverage under this Plan, respectively. Any such errors will be corrected as soon as practicable by the Plan Administrator.

2. Any Employee or former Employee of the District who, at the time of retirement, is or was a(n):

- Confidential Employee; or
- Administrator, including Program, Educational and Executive Administrators; or
- Bargaining unit member represented by any of the District-recognized bargaining units, including the Faculty Association; the Association of Classified Employees; the California School Employees Association and its Chapter 96, for Unit A (Skilled Trades and Crafts); the Teamsters Local 287; or the Operating Engineers Local 3;



and is also a

(i) current Employee who was hired prior to 1997 and terminates employment from the District after June 30, 2012, with entitlement to retiree medical benefits under the 20-year service rule and does not initiate a pension benefit from CalPERS or CalSTRS within 120 days of termination; or

(ii) current Employee who was hired on or after 1997 and terminates employment from the District after June 30, 2012, with entitlement to retiree medical benefits under the District's retiree medical program without a requirement to initiate a pension benefit from CalPERS or CalSTRS within 120 days of termination; or

(iii) former Employee who was hired prior to 1997 and terminated employment from the District on or before June 30, 2012, with entitlement to retiree medical benefits under the 20-year service rule and did not initiate a pension benefit from CalPERS or CalSTRS within 120 days of termination, and continues to remain eligible for coverage under the District's retiree medical program.

3. Any Beneficiary of a current or former Employee of the District hired prior to 1997 as described in 2.(i) or (ii) above; or any Beneficiary of a current or former Employee of the District hired on or after 1997 who terminates employment with the District and who is eligible for retiree medical coverage under the District's program, and following the death of the current or former Employee, his Beneficiary is not receiving a survivor annuity under CalPERS or CalSTRS.

4. Any qualified member of the District's Board of Trustees who, at the time of retirement, is eligible for coverage under the District's retiree medical program but is not eligible for or receiving benefits from CalPERS or CalSTRS, and any Beneficiary of such Trustee who, following the death of such Trustee, is not receiving a survivor annuity under CalPERS or CalSTRS.

An individual's status as an Eligible Retiree shall be determined solely by the Plan Administrator, and such determination shall be conclusive and binding upon all persons.

(j) **Employee** means an individual employed by the District, who is on the regular payroll of the District as a non-retired employee, for whom the District withholds employment taxes, and for whom the District issues an IRS form W-2. Therefore, for example, a common-law employee for whom the District does not issue a form W-2 is not an Employee. An individual's status as an Employee shall be determined solely by the Plan Administrator, and such determination shall be conclusive and binding upon all persons. To the extent applicable, an employee for purposes of calculating plan benefits and contributions, is also any individual employed by the District who receives differential wage payments from the District that are associated with being called to active military duty in the uniformed services.

(k) **Participant** means an individual who meets the requirements for participation in the Plan as provided under Section 3 of the Plan.

(l) **Plan Administrator** means the District or its designated agent.

- (m) **Plan Year** means the calendar year.
- (n) **Required Beginning Date** means April 1 of the calendar year following the later of the calendar year in which the employee attains age 70 1/2, or the calendar year in which the employee retires.
- (o) **Spouse** means the legally married spouse of a Participant at the date the Participant's benefits commence under the Plan or at the Participant's date of death, as applicable for eligibility for continuing retiree medical benefits under the District's retiree medical program.
- (p) **Trust Agreement** means the agreement entered into between the District and the Trustee pursuant to this Plan.
- (q) **Trust Fund** means all monies, securities, and properties of whatever character held by the Trustee pursuant to the Trust Agreement.
- (r) **Trustee** means such financial institution(s) as shall be designated in the Trust Agreement to hold in trust any assets of the Plan for the purpose of providing benefits under the Plan, and shall include any successor to the trustee initially designated thereunder.

### **SECTION 3: PARTICIPATION**

#### **(a). Eligibility and Commencement of Participation**

Each Eligible Retiree shall be a Participant in this Plan beginning on the first day of the month coinciding with or next following the date he becomes an Eligible Retiree.

Notwithstanding any provision to the contrary, no key employee (as defined in Code section 416) may participate in this Plan. (The term key employee as defined in Code section 416 does not include an officer or employee of an entity referred to in section 414(d) (relating to governmental plans).)

All persons who are Eligible Retirees on the Effective Date shall become Participants in this Plan on that date.

#### **(b). Termination of Participation**

A person terminates Participation in this Plan on the earlier of : a) the date of death; the date of the person's rehire as an Employee by the District; or upon becoming an annuitant under CalPERS or CalSTRS without regard to benefits provided under this Plan.

#### **(c) Rehire as an Employee**

If an Eligible Retiree again becomes an Employee, he shall become a Participant in this Plan on the date that he again becomes an Eligible Retiree and is not otherwise an annuitant under CalPERS or CalSTRS.

#### **(d) Plan is Binding**

Upon becoming a Participant, each Eligible Retiree shall be bound by the terms of this Plan and the Trust Agreement including all amendments to the Plan and the Trust Agreement made in the manner authorized by the Plan or Trust Agreement. No amendment to this Plan or to the Trust Agreement shall reduce the benefits earned by any Participant prior to the time of amendment.

#### **SECTION 4: CONTRIBUTIONS TO FUND THE PLAN**

(a) Contributions by the District

From time to time, the District may contribute to fund the Plan the amount which the Plan Administrator determines is necessary or appropriate to fund the benefits provided under the Plan and any expenses thereof which are to be paid out of the Trust Fund. Contributions shall be made to the Trust Fund. Such Contributions may be made on a monthly, quarterly, semiannual or annual basis, as the Plan Administrator deems necessary or desirable.

(b) Use of Forfeitures

Notwithstanding any provision of the Plan to the contrary, any amounts forfeited by Participants under the Plan shall be applied to reduce the contributions otherwise due from the District and shall not be used to increase the benefit of any Participant under the Plan.

(c) Valuation of Plan Benefits

The Plan Administrator shall engage an actuary to conduct periodic valuations of the Plan benefits and to advise the Plan Administrator in determining the amount of contributions to be made to the Plan by the District.

(d) Trust Agreement and Payments to and From the Plan

(i) Trust Agreement

The District has entered into a Trust Agreement with the Trustee under which the Trustee will receive and invest Contributions made under the Plan. The Trust Agreement may specifically provide, among other things, for the investment and reinvestment of the Trust Fund and the income thereof, the management of the Trust Fund, the responsibilities and immunities of the Trustee, removal of the Trustee and appointment of a successor, accounting by the Trustee and the disbursement of the Trust Fund.

Such Trust Agreement is incorporated by reference as a part of the Plan, and the rights of all persons hereunder are subject to the terms of the Trust Agreement. If there is a conflict between the terms of the Plan and the Trust Agreement, the terms of the Plan shall control.

The Trustee shall, in accordance with the terms of the Trust Agreement, accept and receive all sums of money paid to it from time to time by the District, and shall hold, invest, reinvest and manage such moneys and the increment, increase, earnings and income thereof for the exclusive benefit of the Participants and their Beneficiaries and for the payment of reasonable expenses of administering the Plan.

(ii) Contributions to the Plan

All Contributions to the Plan by the District shall be deposited with the Trustee, to be held and invested as part of the Trust Fund in accordance with the terms of the Trust Agreement.

(iii) Benefits Payments From the Plan

All benefits payable under the Plan shall be paid out of the Trust Fund by the Trustee pursuant to the directions of the Plan Administrator and the terms of the Trust Agreement. Expenses of the Plan and Trust shall be paid out of the Trust Fund to the extent provided by the terms of the Trust Agreement.

(e) Mistake of Fact

If due to a mistake of fact, a Contribution to the Trust Fund for any Plan Year exceeds the amount intended to be contributed, as soon as such mistake of fact is discovered the Plan Administrator shall notify the Trustee of the mistake. The Plan Administrator shall direct that the Trustee return such excess to the District, provided such return is made within one year of the date on which the Contribution is made. However, the Plan Administrator may direct that the funds be held by the Trustee in lieu of the next Contribution. Earnings attributable to the excess Contribution shall not be returned to the District. Losses attributable thereto must reduce the amount to be so returned.

(f) Contributions Conditioned on Initial Tax Qualification

All contributions to this Plan are expressly conditioned on the initial qualification of the Plan under section 401(a) of the Code. If the Plan is submitted to the Internal Revenue Service within the period prescribed by section 401(b) of the Code for a determination as to its initial qualification, and the Internal Revenue Service determines that the Plan is not so qualified, all such Contributions, together with all earnings thereon, shall be returned to the District within one (1) year following such determination by the Internal Revenue Service.

**SECTION 5: VESTING**

A Participant shall be 100% vested in the benefits provided under this Plan.

**SECTION 6: PLAN BENEFITS**

(a) Eligibility for Benefits

If an Employee terminates employment and has satisfied the requirements to be an Eligible Retiree, then (and only then) he shall be entitled to receive benefits under this Plan.

(b) Amount of Benefits

The benefit paid under this Plan shall be equal to \$1 per month, payable in an annual payment for completed months at the end of each Plan Year. .

The retired District employees and members of the District's Board of Trustees who are listed on Appendix A shall receive the benefits that are listed for each such retired officer on Appendix A, beginning as of the Effective Date. These benefits are provided by the District pursuant to any prior memoranda of understanding between the unions representing District employees and the District and pursuant to prior District policy regarding eligibility for retiree medical coverage.

(c) When Payments Begin and Terminate

Payments shall begin under this Plan on the first day of the month coincident with or next following the date that the Participant retires from the District when meeting the requirements for an Eligible Retiree. In the event the minimum distribution provisions of section 401(a)(9) of the Code become applicable to a Participant, a "Minimum Required Distribution" shall be paid as of his Required Beginning Date. The Minimum Required Distribution will require the Participant's interest will be distributed, or begin to be distributed, no later than the Member's Required Beginning Date. Such Minimum Required Distribution shall be an amount determined under the requirements of section 401(a)(9) of the Code and the regulations thereunder as in effect on the date such distributions are required to be paid. Distributions shall be made in accordance with section 401(a)(9) of the Code, including the incidental benefit rule, and regulation sections 1.401(a)(9)-2 through 1.401(a)(9)-9.

The provisions reflecting Code section 401(a)(9) override any distribution options in the plan inconsistent with Code section 401(a)(9).

Payments under this Plan shall terminate on the first day of the month after the death of the last to die of the Participant and his Beneficiary (if any).

(d) Payments to the Participant and Beneficiary

Benefits are payable to the Participant for life and on his death to the Beneficiary (if any) for that person's life, provided such Beneficiary makes any required contributions required to continue participation under the PEMHCA retiree medical coverage provided by the District.

(e) Incompetent Participant or Beneficiary.

If, in the opinion of the Plan Administrator, any individual becomes unable to properly handle property distributable to him under the Plan, the Plan Administrator may, in its sole discretion, make any arrangement for distribution on such individual's behalf that it determines will be beneficial to such individual, including, without limitation, distribution to such individual's guardian, conservator, spouse, domestic partner, or dependent.

(f) Unclaimed Benefits

If the Plan Administrator is unable to ascertain the whereabouts or identity of a Participant, Beneficiary or legal representative thereof, who is entitled to a distribution which is due or required to commence under this Plan, after having sent proper notification by registered mail to such person's last known address and when no claim for such benefits has been filed with the Plan Administrator before the end of five (5) years following the date distribution is due or required to commence, then, unless

otherwise prohibited by law, the distribution otherwise payable shall be forfeited and such forfeiture shall be applied to reduce Contributions otherwise made to this Plan. In the event that the Participant (or Beneficiary) requests a distribution after a forfeiture has occurred, the amount of such forfeiture shall be restored.

(g) USERRA Benefits

An Employee who dies while performing qualified military service, as defined by the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"), must be treated as being reemployed and then dying for purposes of entitlement to additional benefits, such as survivor benefits, that are available only when an employee dies while an active Employee of the District. This provision applies to the determination of whether an Employee is entitled to Death Benefits under Section 8 and any other Plan benefits available only when an Employee dies while an active Employee.

**SECTION 7: FORM OF BENEFIT**

The only form of retirement benefit that will be paid under this Plan is an annual benefit payment computed on the basis of months of participation under the Plan during each Plan Year, for life to the Participant and an annual benefit payment for life to his Beneficiary (if any), so long as such Beneficiary continues to make payments required to maintain medical coverage under the District-sponsored PEMHCA program.

**SECTION 8: DEATH BENEFITS**

(a) Death After Commencement of Benefits

If a Participant dies after he has begun to receive benefits under this Plan, then his Beneficiary (if any) shall receive a benefit under this Plan equal to the Participant's benefit, provided the Beneficiary makes any payments required to maintain retiree medical coverage for such Beneficiary under the PEMHCA program sponsored by the District. Benefits to the Beneficiary will begin no later than one year after the date of the Participant's death or other date allowable under Code section 401(a)(9). This benefit shall be paid through the earlier of: (i) the month of the death of the Beneficiary; or (ii) the month in which the Beneficiary loses PEMHCA coverage, including loss of coverage through the failure to make any required payment to maintain PEMHCA coverage.

(b) Death Before Commencement of Benefits

If an Employee dies before he has begun to receive benefits under this Plan and he was eligible to retire from the District on or before the date of death and would have then become an Eligible Retiree at that time, and, if his Beneficiary is eligible for benefits in accordance with the District's retiree medical program, then his Beneficiary (if any) shall receive a benefit under this Plan equal to the Participant's benefit, provided the Beneficiary makes any payments required to maintain retiree medical coverage for such Beneficiary under the PEMHCA program sponsored by the District. This benefit shall be paid through the earlier of: (i) the month of the death of the Beneficiary; or (ii) the month in which the Beneficiary loses PEMHCA coverage, including loss of coverage through the failure to make any required payment to maintain PEMHCA coverage. If a Participant dies before he has begun to receive benefits under this Plan and he would

not have been an Eligible Retiree had he retired from the District on or before the date of death, then no benefits shall be paid to any person under this Plan.

## **SECTION 9: ADMINISTRATION OF THE PLAN**

### **(a) General**

Each fiduciary shall discharge his/her duties solely in the interest of the Participants and Beneficiaries and for the exclusive purpose of providing such benefits as are provided herein to such persons, or defraying reasonable expenses of administering the Plan. Each fiduciary, in carrying out such duties and responsibilities, shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use.

A fiduciary may serve in more than one fiduciary capacity and may employ one or more persons to render advice with regard to his fiduciary responsibilities. If the fiduciary is serving as such without compensation, all expenses reasonably incurred by such fiduciary shall be paid from the assets of the Plan.

A fiduciary may allocate and delegate any of his responsibilities for the operation and administration of the Plan to the extent consistent with the California Constitution.

### **(b) District**

The District shall supply such full and timely information for all matters relating to the Plan as the Plan Administrator and the Trustee may reasonably require for the effective discharge of their respective duties.

### **(c) Trustee**

The Trustee, in accordance with the Trust Agreement, shall have exclusive authority and discretion to manage and control the assets of the Plan except that the Plan Administrator may in its discretion employ at any time and from time to time qualified investment manager(s) to direct the Trustee with respect to all or a designated portion of the assets comprising the Trust Fund.

### **(d) Plan Administrator**

The Plan Administrator shall have plenary authority to administer the Plan.

The Plan Administrator shall have power to construe the Plan and to determine all questions that may arise thereunder relating to (a) the eligibility of individuals to participate in the Plan and (b) the amount of benefits to which any Participant or Beneficiary may become entitled hereunder, and (c) any other issues that may arise under the Plan. All disbursements by the Trustee, except for the ordinary expenses of administration of the Trust Fund or the reimbursement of reasonable expenses at the direction of the District, as provided herein, shall be made upon, and in accordance with, the written directions of the Plan Administrator. When the Plan Administrator is required in the performance of its duties hereunder to administer or construe, or to reach a determination, under any of the provisions of the Plan, it shall do so on a uniform, equitable and non-discriminatory basis.

The Plan Administrator shall establish rules and procedures to be followed by the Participants and Beneficiaries in filing applications for benefits and for any other matters required in order to establish their rights to benefits in accordance with the Plan.

The Plan Administrator may employ such counsel, accountants, and other agents as it shall deem advisable. The District shall pay, or cause to be paid from the assets of the Plan, the reasonable compensation of such counsel, accountants, and other agents and any other expenses incurred by the Plan Administrator in the administration of the Plan and the Trust Agreement.

The District shall indemnify the Plan Administrator who is a District officer or employee to the maximum extent allowed by law against any and all claims, loss, damage, expense and liability arising from any act or failure to act relating to the Plan Administrator's duties and powers unless the same is determined by a court of competent jurisdiction to be solely the result of the Plan Administrator's gross negligence or willful misconduct.

(e) Claims Procedures

The Plan Administrator shall receive all claims filed for benefits under the Plan. Upon receipt, the Plan Administrator shall review the claims and determine whether the claimant is entitled to receive any benefits pursuant to such claim. The Plan Administrator shall notify the claimant in writing of any adverse decision with respect to his claim within ninety (90) days after its submission. The notice of any adverse decision shall be written in a manner calculated to be understood by the claimant and shall include:

- (i) The specific reason or reasons for the denial;
- (ii) Specific references to the pertinent Plan provisions on which the denial is based;
- (iii) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation why such material or information is necessary; and
- (iv) An explanation of the Plan's claim review procedures.

If the circumstances require an extension of time for processing the initial claim, a written notice of the extension shall be furnished to the claimant before the end of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the last day of the initial ninety (90) day period. The extension notice shall indicate the circumstances requiring an extension of time.

In the event a claim for benefits is denied or if the Plan Administrator has given no response to such claim within the time period set out in the above paragraph (in which case the claim for benefits shall be deemed to have been denied), the claimant or his duly authorized representative, at the claimant's sole expense, may appeal the denial by submitting written notice of such appeal to the Plan Administrator within ninety (90) days of the receipt of written notice of the denial or sixty (60) days from the date such claim is deemed to be denied. Upon request, the Plan Administrator will provide the claimant the right of a hearing with respect to any finding of fact or determination within thirty (30)



days of receipt of the notice of appeal. In pursuing such appeal the claimant or his duly authorized representative:

- (v) may, upon request, review all documents, records and other information relating to the claim; and
- (vi) may submit written comments, documents, records, and other information relating to the claim.

The claimant shall be notified of the decision on review within sixty (60) days of receipt of the request for review or thirty (30) days following the hearing, unless circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred and twenty (120) days after receipt of a request for review. If such an extension of time is required, written notice of the extension shall be furnished to the claimant before the end of the original sixty (60) day period. The notice of decision on review shall be made in writing, shall be written in a manner calculated to be understood by the claimant, and shall include specific references to the provisions of the Plan on which such denial is based. If the decision on review is not furnished within the time specified above, the claim shall be deemed denied on review.

(f) Records

All acts and determination of the Plan Administrator shall be duly recorded and all such records together with such other documents as may be necessary in exercising its duties under the Plan shall be preserved for no less than six (6) years. Such records and documents shall at all times be open for inspection and for the purpose of making copies by any person designated by the District. The Plan Administrator shall provide such timely information, resulting from the application of its responsibilities under the Plan, as needed by the District for the effective discharge of its duties.

**SECTION 10: BENEFIT LIMITATIONS**

The limitations of section 415(b) of the Code and section 401(a)(17) of the Code are incorporated herein. The limitations of section 415(b) shall be applied by aggregating the benefits paid under this Plan, by CalPERS or by CalSTRS, and by any other defined benefit plan maintained by the District that covers Participants in this Plan. To the extent that the limitations of section 415(b) would be exceeded by paying benefits under this Plan, such benefits shall not be paid and the District shall make up such benefits in accordance with a plan established under Code section 415(m).

**SECTION 11: GENERAL PROVISIONS**

(a) Governing Law

The Plan shall be construed, regulated and administered according to the laws of the State of California, and shall also be construed to the maximum extent possible in accordance with the Code in order for the Plan to be tax qualified.

(b) Construction

The headings and subheadings in the Plan have been inserted for convenience of reference only and shall not affect the construction of the provisions hereof. In any necessary construction the masculine shall include the feminine and the singular the plural, and vice versa.

(c) Plan Administration Expenses

The expenses of administering this Plan and the Trust Fund may be paid from the Trust Fund.

(d) Participant's Rights

No Participant in the Plan shall acquire any right to be retained in the District's employment by virtue of the Plan, nor, upon his dismissal, or upon his voluntary termination of employment, shall he have any right or interest in and to the Trust Fund other than as specifically provided herein. Except as otherwise specifically provided herein, the District shall not be liable for the payment of any benefit provided for herein; all benefits hereunder shall be payable only from the Trust Fund.

(e) Prohibition Against Assignment and Alienation of Benefits

No right or claim to, or interest in, any part of any payment from this Plan shall be subject to anticipation, alienation, sale, transfer, assignment, mortgage, pledge, garnishment, encumbrance, hypothecation, commutation, garnishment, charge, or any other process of any court except to such extent required by law. No benefit payable from this Plan to any person shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, except to such extent required by law. Any attempt to anticipate, alienate, sell, transfer, assign, mortgage, pledge, garnish, encumber, charge, or levy against any benefit under this Plan shall be void, except as required by law. No portion of the benefits payable under this Plan shall be subject to the bankruptcy estate of any Participant or Beneficiary in the Plan, except as required by law.

(f) Merger, Consolidation or Transfer

In the event of the merger or consolidation of the Plan with another plan or transfer of assets or liabilities from the Plan to another plan, each then Participant or Beneficiary shall not, as a result of such event, be entitled on the day following such merger, consolidation or transfer under the termination of the Plan provisions to a lesser benefit than the benefit he/she was entitled to on the date prior to the merger, consolidation or transfer if the Plan had then terminated.

(g) Counterparts

The Plan and the Trust Agreement may be executed in any number of counterparts, each of which shall constitute but one and the same instrument and may be sufficiently evidenced by any one counterpart.

(h) Provisions Applicable During Periods of Military Service

Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided as required by section 414(u) of the Code.

(i) Providing Information

A Participant and his Beneficiary may be required to furnish such information as may be required by the Plan Administrator in the administration of the Plan. If the Plan Administrator determines that a Participant or his Beneficiary furnished erroneous information, the Plan Administrator may make such adjustment in any benefit payable hereunder as it deems appropriate to correct such error.

**SECTION 12: MODIFICATION AND TERMINATION OF THE PLAN**

(a) Amendment of the Plan

The District shall have the right at any time to modify, alter or amend the Plan in whole or in part, subject to the following limitations: (1) the duties, powers and liability of the Trustee hereunder shall not be increased without its written consent;(2) no such modification, alteration or amendment shall have the effect of (i) reverting to the District any part of the principal or income of the Trust Fund (except as otherwise provided in the Plan or the Trust Agreement); (ii) decreasing a Participant's accrued benefit; (iii) directly or indirectly decreasing the vested percentage of a Participant's benefits or (iv) permitting any part of the corpus or income of the Trust Fund to be used for, or diverted to, purposes other than the exclusive benefit of the Participants and their Beneficiaries and defraying the reasonable expenses of administering the Plan. In any event and without limitation of any type, the District shall have the right to make any modifications, alterations or amendments necessary or appropriate to maintain the tax qualification of the Plan. To the extent that the District makes modifications to the Plan in accordance with any memorandum of understanding between the District and any of the unions representing the District's employees, such modifications shall supersede and override any "vested rights" that any person may otherwise have under California law with respect to benefits under this Plan.

(b) Termination of the Plan

In accordance with the requirements of a tax qualified plan, the District has established this Plan with the expectation that it will be continued, but continuance is not a contractual or other obligation of the District and no employee of the District shall have any vested right to continuance of the Plan or to continuance of contributions thereto. The District reserves the right at any time to terminate the Plan. To the extent the termination of the Plan is undertaken in accordance with any memorandum of understanding between the District and any of the unions representing the District's employees, such termination shall supersede and override any "vested rights" that any person may otherwise have with respect to benefits under this Plan. In the event of termination of the Plan, the Plan Administrator shall direct the Trustee to compute the value of the Trust Fund as of the date of termination. The vested accrued benefits of the Participants and Beneficiaries affected by the termination, as determined by the Plan Administrator, shall continue to be administered as a part of the Trust Fund or distributed in a lump sum to such Participants or Beneficiaries, as deemed appropriate by the Plan Administrator in its sole discretion.

Upon termination of the Plan, the right of each Participant to his accrued benefit under the Plan shall, to the extent funded, be one hundred percent (100%) vested and non-forfeitable. Upon a partial termination of the Plan (as defined under IRS rulings and regulations that govern defined benefit retirement plans that are tax qualified), the right of each person affected by such partial termination to such person's accrued benefit under the Plan shall, to the extent funded, be one hundred percent (100%) vested and non-forfeitable. Upon termination or partial termination of the Plan, the Trust shall continue until the Trust Fund or the appropriate portion thereof has been distributed as provided in this section.

(c) Allocation of Trust Fund Upon Termination of the Plan

Upon termination of the Plan, the assets of the Trust Fund shall be allocated among those Participants and Beneficiaries in the ratio that the present value of the accrued benefit of each such person on the effective date of such termination bears to the present value of the accrued benefits of all such persons on the effective date of such termination; provided that the assets allocated to any person shall in no event exceed the present value of such person's accrued benefit under the Plan as of such date.

The Plan Administrator shall direct the Trustee to distribute to each Participant and Beneficiary such person's allocable share of the assets of the Trust Fund in the form of an individual annuity contract issued by an insurance company selected by the Plan Administrator or in the form of a single distribution of cash, as may be determined by the Plan Administrator. At its sole discretion, the Plan Administrator may allow each Participant and Beneficiary to choose between receiving an individual annuity contract or a single cash distribution. Any single cash distribution shall be the present value of the appropriate individual life annuity, calculated on the basis of actuarial assumptions that are recommended by the Plan's actuary.

In the case of a partial termination of the Plan, the provisions of this Section shall be applied to those Participants and Beneficiaries who are affected by such partial termination.

If after all assets held in the Trust Fund are distributed pursuant to this Section (so the percent value of Participants and Beneficiary's benefits have been paid and all plan and Trust Fund expenses have been paid), there are assets remaining in the Trust Fund, such remaining assets shall be paid to the District.

(d) Limitation of Obligations

Notwithstanding any other provision hereof, the District shall have no obligation to continue to make contributions to the Plan after the Plan's termination. Neither the District nor any other person shall have any liability or obligation to provide benefits hereunder after the termination of the Plan. Upon termination of the Plan, all Participants, Beneficiaries and other persons who may claim an interest therein shall look solely to the Trust Fund for their benefits. In the event of a partial termination of the Plan, this Section shall apply only with respect to those Participants, Beneficiaries, and other persons who are affected by such partial termination.

**ADOPTION OF PLAN**

To record the adoptions of the Plan as set forth herein, the District has caused its authorized representative to execute this document on this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

FOOTHILL-DE ANZA COMMUNITY COLLEGE  
DISTRICT

By:\_\_\_\_\_

\_\_\_\_\_  
(Title)

## **APPENDIX “A”**

### **Eligible Retirees Eligible to Participate in Plan As of the Effective Date**

[Insert List of Those Receiving Benefits Under District's Plan on 6/30/12 Who Are Not Currently Receiving a CalPERS or CalSTRS Benefit]

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**TRUST AGREEMENT**  
**FOR THE FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**  
**RETIREMENT PLAN**  
(Effective June 30, 2012)

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**TRUST AGREEMENT**  
**FOR THE FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**  
**RETIREMENT PLAN**

(Effective June 30, 2012)

**SECTION 1. ESTABLISHMENT AND PURPOSE OF THE TRUST**

The Foothill-De Anza Community College District Retirement Plan (the "Plan"), was established effective June 30, 2012 to provide retirement benefits to eligible retirees of the Foothill-De Anza Community College District. The Plan and the Trust Fund established pursuant to this Trust Agreement are intended to qualify under the applicable provisions of section 401 and related sections of the Internal Revenue Code. Under the Plan, all assets must be held in trust and may be used only for the exclusive benefit of the Participants and their Beneficiaries. This Trust Agreement shall be effective June 30, 2012.

**SECTION 2. DEFINITIONS AND CONSTRUCTION**

**Definitions**

**Beneficiary** means any person or entity entitled to receive benefits which are payable upon or after a Participant's death pursuant to the provision of the Plan.

**Code** means the Internal Revenue Code of 1986, as amended from time to time, and all applicable rules and regulations issued thereunder pertinent to the tax qualification of the Plan and the tax-exempt status of the Trust Fund.

**District** means the Foothill-De Anza Community College District.

**Effective Date** means June 30, 2012.

**Participant** means a Participant in the Plan as determined under Section 2 of the Plan.

**Plan** means the Foothill-De Anza Community College District Retirement Plan as amended from time to time.

**Plan Administrator** means the person or persons with authority to administer the Plan.

**Plan Year** means the calendar year.

**Trust** means the legal entity resulting from the Trust Agreement between the District and the Trustee.

**Trust Agreement** means this instrument, as amended from time to time.

**Trust Fund** means all monies, securities, and properties of whatever character held by the Trustee pursuant to this Trust Agreement.

**Trustee** means the financial institution(s) designated in the Trust Agreement to

hold in trust any assets of the Plan for the purpose of providing benefits under the Plan, and shall include any successor to the trustee initially designated hereunder.

### **SECTION 3. ESTABLISHMENT OF THE TRUST FUND**

(a) Establishment of the Trust Fund

As of the Effective Date, the District shall contribute one hundred dollars (\$100.00) to the terms of the Plan, together with any income, gains or profits and taking account of any losses. All investments under the Plan shall be titled in the name of the Trust and shall be deemed part of the Trust Fund.

(b) Exclusive Benefit of Participants

The Trust Fund shall be maintained for the exclusive benefit of Participants and their Beneficiaries and in accordance with the terms of the Plan and governing California and federal law. No part of the Trust Fund shall be used for, or diverted to, purposes other than for the exclusive benefit of such Participants and Beneficiaries, except as is provided in section 3(d) below and sections 4 and 12 of the Plan.

(c) No Reversion to the Employer

Except as provided in section 3(d) below and sections 4 and 12 of the Plan, it shall be impossible, at any time, for any part of the Trust Fund, other than such part as is required to pay taxes and administrative expenses, to be returned to, or revert to, the District, to be recoverable by the District, or to be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and their Beneficiaries.

(d) Reversion if IRS Does Not Issue Favorable Determination Letter

All contributions made to the Trust Fund prior to the issuance of a letter from the Internal Revenue Service ("IRS") that the Plan is tax qualified under section 401(a) of the Code are expressly conditioned on the initial qualification of the Plan under section 401(a) of the Code. If the Plan is submitted to the IRS within the period prescribed by section 401(b) of the Code for a determination as to its initial qualification, and the IRS determines that the Plan is not so qualified, all such contributions, together with all earnings thereon, shall be returned to the District within one (1) year following such determination by the IRS.

(e) Receipt of Contributions

The Trustee shall receive all contributions made under the Plan. However, the Plan Administrator may elect to have all contributions paid directly to a custodian or insurance company engaged by the District to receive contributions. The Trustee shall not be responsible in any way for the administration of the Plan and shall be under no duty to determine whether the amount of any contribution is in accordance with the Plan or to collect or enforce payment of any contribution.

(f) Distributions

Distributions from the Trust Fund shall be made by the Trustee only to such persons, in such manner, at such times, and in such amounts as the Plan Administrator shall direct in writing from time to time. The Plan Administrator may also direct in writing the payment or reimbursement of expenses of administering the Plan or this Trust Agreement. The Trustee shall be fully protected in making payments in accordance with directions of the Plan Administrator without ascertaining whether such payments are in compliance with the terms of the Plan. All payments of benefits under the Plan shall be made solely and exclusively from the assets of the Trust Fund as they may exist at the time or times of payment, and no person shall be entitled to look to any other source for such payments.

**SECTION 4. DUTIES AND POWERS OF THE TRUSTEE**

(a) General Powers of the Trustee

The Trustee shall have all of the powers necessary or desirable to perform properly the duties herein set forth.

(b) Investment Powers of the Trustee.

Notwithstanding any Plan provisions that give the exclusive authority and discretion to the Trustee to manage and control the assets of the Plan, the District and the Trustee acknowledge and agree that the Trustee shall be directed with respect to all investments. Such direction shall be pursuant to the Plan and shall be either by the Plan Administrator or by investment managers chosen pursuant to the Plan.

(c) Agents

With the prior written approval of the Plan Administrator, and subject to applicable state law, the Trustee may employ such counsel, accountants, brokers, actuaries and other agents and provide for such clerical, accounting, actuarial and other services as the Trustee may deem advisable to perform its duties under this Trust Agreement, or as may be directed by the Plan Administrator.

(d) Settlement of Claims

With the prior written approval of the Plan Administrator, the Trustee shall have the power and authority to settle, compromise or submit to arbitration, any claims, debts or damages due or owing to or from the Trust Fund; to commence or defend suits or legal or administrative proceedings whenever, in its judgment, any interest of the Trust Fund so requires, and to represent the Trust Fund in all suits or legal or administrative proceedings in any court of law or equity or before any other body or tribunal. The Trustee shall inform the District and the Plan Administrator as soon as possible about any such claims, debts or damages, and shall fully cooperate with the District and the Plan Administrator with respect to any suits or legal or administrative proceedings that result from or arise out of such claims, debts or damages.

(e) Accounting

(i) The Trustee shall keep appropriate and accurate accounts of, and records reflecting all transactions concerning the Trust Fund, including but not limited to contributions, gains, losses, expenses, and distributions of benefits. However, if the Plan Administrator elects to have all contributions paid directly to a custodian or insurance company to receive contributions, then the Trustee shall be entitled to rely on the records of accounts provided to it by such custodians or insurance companies, and by the District, with respect to contributions, gains, losses, expenses, distributions of benefits and all other transactions involving the Trust Fund. The Trustee shall be entitled to be reimbursed for its actual and reasonable expenses incurred in preparing any accounting.

(ii) The Trustee shall furnish the Plan Administrator a written account of the transactions concerning and status of the Trust Fund at such times and from time to time as agreed to with the Plan Administrator, but no less than annually, as soon as practical after the close of the Plan Year. The Trustee and Plan Administrator shall agree on the format and contents of such accounting. At any time, the Plan Administrator may (but is not required to) engage an independent certified public accountant to examine the Plan's financial statements or internal control procedures. If the Plan Administrator engages an independent accountant, the Plan Administrator shall require that such engagement provide that the examination be made according to generally accepted auditing standards (or according to other agreed-upon procedures that the Trustee approves in writing), and that the Trustee is entitled to rely upon the accountant's examination and opinion and all reports relating to the examination.

(iii) Except as otherwise ordered by a court having jurisdiction, no person other than the Plan Administrator may require an accounting by the Trustee.

(iv) Notwithstanding anything in this Trust Agreement to the contrary, the Trustee shall have the right at any time to petition any appropriate court for a settlement of the Trust Fund's accounts or for the court's instructions in executing the Trustee's obligations under the Trust Fund created by this Trust Agreement.

(f) Compensation

The Trustee shall be paid such compensation and expenses that are agreed to, from time to time, by it and the Plan Administrator.

(g) Fiduciary Standards

The Trustee shall discharge its duties under this Trust Agreement solely in the interest of the Participants and Beneficiaries of the Plan and in accordance with governing state and federal law and the terms of the Plan and the Trust Agreement. Such duties shall be discharged for the exclusive purpose of providing benefits to the Participants and Beneficiaries and paying expenses of the Plan. In addition, the Trustee shall discharge its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and as defined by applicable state law.

## **SECTION 5. REPLACEMENT OF THE TRUSTEE**

### **(a) Replacement of the Trustee**

(i) The District may remove and replace the Trustee at any time and from time to time with a written notice to the Trustee of removal and replacement. Except where necessary to protect the rights and benefits of Plan participants and beneficiaries, the District shall give at least 60 days written notice of removal and replacement to the Trustee.

(i) In the event another entity or person replaces the Trustee, the Trustee shall take all necessary and appropriate steps to transfer to its successor trustee the entire Trust Fund as soon as possible. The Trustee may undertake a reasonable accounting of the Trust Fund prior to such transfer but such accounting shall not cause unreasonable delay in any transfer of the Trust Fund.

(ii) The replacement of the Trustee shall not result in the termination of this Trust Agreement. A successor Trustee shall have the same powers and duties as those herein conferred upon the Trustee.

### **(b) Resignation of the Trustee**

The Trustee may resign at any time by giving one hundred twenty (120) days advance written notice to the Plan Administrator and the District.

## **SECTION 6. AMENDMENT OF THE TRUST AGREEMENT AND TERMINATION OF THE TRUST FUND**

### **(a) Term of the Trust Agreement**

This Trust Agreement shall continue as long as the Plan is in full force and effect. If the Plan ceases to be in full force and effect, this Trust Agreement shall thereupon terminate unless expressly extended by the District.

### **(b) Amendment of the Trust Agreement**

(i) Any and all amendments to this Trust Agreement which may be required or suggested by the Internal Revenue Service for the purpose of the approval of the Plan under the Code as a tax-qualified plan may be made retroactively to the extent permitted by law. Such amendments shall be made by the District with the written consent of the Trustee.

(ii) This Trust Agreement may otherwise be amended by the District with the written consent of the Trustee, but may only be amended if there is no reduction in the then existing benefits of any Participant or Beneficiary as a result of such amendment. This Trust Agreement may also be amended to change the party that serves as Trustee without the consent of the then Trustee.

(iii) Amendments to this Trust Agreement shall be made by the District.

### **(c) Termination of the Trust Fund**

The District reserves the right to terminate the Trust Fund at any time for any reason. Upon termination of the Trust Fund, the District shall determine the manner in which the assets of the Trust Fund shall be disposed of in accordance with the terms of the Plan. On the termination of the Trust Fund, all assets held therein shall be paid to the Plan Participants and Beneficiaries in accordance with the terms of the Plan governing benefits upon termination in Section 12.

## **SECTION 7. MISCELLANEOUS**

### **(a) Reliance**

The parties hereto shall be protected in acting upon any notice, resolution, request, consent order, certificate, report, opinion, statement or other document which they reasonably believed to be genuine and to have been signed by the proper party or parties or by a person or persons authorized to act on its behalf.

### **(b) Person Dealing with the Trustee**

No person dealing with the Trustee shall be under any obligation to inquire into the validity, expediency or propriety of any action by the Trustee or of any exercise by it of any of the powers conferred upon it by this Trust Agreement. The execution by the Trustee of any instrument, document or paper in connection with the exercise of any of the powers enumerated herein shall, of itself, be conclusive evidence to all persons of the authority of the Trustee to execute the same and to exercise the powers incident thereto.

### **(c) Advice of the Plan Administrator**

If at any time or times the Trustee is in reasonable doubt as to the course which it should follow in any matter relating to the administration of this Trust Agreement, it may request the Plan Administrator to advise it with respect thereto, and it shall be protected in relying upon the advice or direction which may be given it by the Plan Administrator in response to such request.

### **(d) Anti-Alienation**

No right or claim to, or interest in, any part of any payment from the Plan or Trust Fund shall be subject to anticipation, alienation, sale, transfer, assignment, mortgage, pledge, garnishment, encumbrance, hypothecation, commutation, charge, or any other process of any court except to such extent required by law. No benefit payable from the Plan or Trust Fund to any person shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements, or torts of any such person, nor shall it be subject to attachment or legal process for or against such person, except to such extent required by law. Any attempt to anticipate, alienate, sell, transfer, assign, mortgage, pledge, garnish, encumber, charge, or levy against any benefit under the Plan or Trust Fund shall be void, except as required by law. No portion of the benefits payable under this Plan or Trust Fund shall be subject to the bankruptcy estate of any Participant or Beneficiary in the Plan, except as required by law.

### **(e) Notices**

All orders, requests, directions and instructions of the Plan Administrator to the Trustee shall be in writing, signed by a person authorized to act on its behalf. Unless the Trustee knows or has reason to know (through its exercise of its fiduciary duties or otherwise) that the direction constitutes a breach of the Plan Administrator's duties or responsibilities under the Plan, the Trustee shall act and shall be fully protected in acting in accordance with such orders, requests, directions and instructions. In the absence of knowledge of, or reason to know, that the direction constitutes such a breach, the Trustee shall be entitled to rely conclusively on such direction, and shall have no further duty to make any investigation or inquiry before acting upon any such direction of the Plan Administrator.

(f) Law

This Trust Agreement is made in the State of California, and shall be construed in accordance with the laws thereof

(g) Invalidity

In the event any provision of this Trust Agreement shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions hereof, and this Trust Agreement shall thereafter be construed and enforced as if said illegal or invalid provision had never been included therein.

### **EXECUTION OF TRUST**

The parties have caused this Trust Agreement to be executed by their representatives to be effective as of the day and year first above written.

#### **FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT**

\_\_\_\_\_, 2012

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(title)

#### **TRUSTEE**

\_\_\_\_\_, 2012

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(title)





VERISIGHT, Inc.  
135 South LaSalle Street, Suite 2225  
Chicago, IL 60603-4185  
O 312.488.6776 F 312.488.6797  
[www.verisightgroup.com](http://www.verisightgroup.com)

May 31, 2012

Direct Dial # 312.488.6715

To whom it may concern,

The attached report contains the results of an actuarial valuation for the Foothill–De Anza Community College District Retirement Plan to determine a June 30, 2012 Statement of the Actuarial Impact upon Future Annual Costs, Including Normal Cost and any Additional Accrued Liability as per CA Code Section 7507(b)(1).

Sincerely,

**VERISIGHT, Inc.**

A handwritten signature in black ink that reads "Brian S. Blalock". The signature is written in a cursive, flowing style.

Brian S. Blalock, ASA, MAAA, FCA  
Managing Director and Actuary



VERISIGHT, Inc.  
135 South LaSalle Street, Suite 2225  
Chicago, IL 60603-4185  
O 312.488.6776 F 312.488.6797  
www.verisightgroup.com

May 31, 2012

Direct Dial # 312.488.6715

Mr. Kevin McElroy  
Foothill-De Anza Community College District  
12345 El Monte Road  
Los Altos Hills, CA 94022

**RE: Fiscal 2013 Annual OPEB Cost Report for Accounting and Financial Reporting by Employers**

Dear Mr. McElroy,

Attached is the Fiscal 2013 Annual OPEB Cost Report for Accounting and Financial Reporting by Employers based on the actuarial valuation performed as of July 1, 2012.

Thank you for the opportunity to provide this service to you and Foothill-De Anza Community College District. If you have any questions, please do not hesitate to contact me at 312.488.6715 or [brian.blalock@verisightgroup.com](mailto:brian.blalock@verisightgroup.com).

Sincerely,

**VERISIGHT, Inc.**

A handwritten signature in black ink that reads "Brian S. Blalock". The signature is written in a cursive, flowing style.

Brian S. Blalock, ASA, MAAA, FCA  
Managing Director and Actuary

bsb/ds

Enclosures

by Email

cc: Mr. Hector Quinonez (Foothill-De Anza Community College District)  
Mr. Craig Gawlick (Foothill-De Anza Community College District)  
Mr. Daniel Raymond (Zuk Financial Group)  
Ms. Rebecca DiCeglie (Verisight)  
Mr. Dmitriy Sherman (Verisight)



# **Foothill–De Anza Community College District Retirement Plan**

## **Postemployment Benefits Other than Pensions**

**Fiscal 2013 Annual OPEB Cost Report for Accounting  
and Financial Reporting by Employers**

**Valuation Date: July 1, 2012**  
**Fiscal Year Ending: June 30, 2013**

**Date of Report: May 31, 2012**



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## Actuarial Certification

This report contains the results of an actuarial valuation to determine the fiscal 2013 Annual OPEB Cost for the Foothill–De Anza Community College District Retirement Plan as set forth in Statement No. 45 of the Governmental Accounting Standards Board No. 45 (GASB No. 45).

The calculations are based on census data and plan provisions related information provided by Foothill–De Anza Community College District as of July 1, 2012. We reviewed this information for reasonability but did not audit the data and cannot attest to the accuracy of this information.

Actuarial computations under GASB No. 45 are for purposes of fulfilling employer financial accounting requirements. These calculations have been made on a basis consistent with our understanding of GASB No. 45. The Statement does not purport to comply with (a) generally accepted actuarial principles and practices for funding or allocation of costs to time; (b) accounting standards for plan reporting; (c) governmental requirements for reporting, funding and determining tax deductibility; or (d) actuarial standards for determining the adequacy of available assets in the event of plan termination or for other purposes. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results reported here.

The valuation complies with the generally accepted accounting principles, including the Actuarial Standards Board Actuarial Standards of Practice (ASOPs) relating to postemployment benefits other than pensions. The undersigned credentialed actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Verisight, Inc. has no relationships with the Foothill–De Anza Community College District or any of its officers or key personnel, other than this project, that would impair our objectivity in the performance of this assignment.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

**VERISIGHT, Inc.**



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Brian S. Blalock, ASA, MAAA, FCA  
Managing Director and Actuary

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May 31, 2012

Date

May 2012

## Section 1 - Executive Summary

This report provides the Actuarial Accrued Liability (AAL), the Annual Required Contribution (ARC), and the Annual OPEB Cost that will be required under GASB No. 45. The calculations are as of July 1, 2012.

**July 1, 2012**

|   |                 |
|---|-----------------|
| <b>I. Actuarial Present Value of Total Projected Benefits</b>                         |                 |
| A. Actives  | \$ 1,970        |
| B. Retirees, spouses, and beneficiaries   | 3,749           |
| C. Total reported   | <u>\$ 5,719</u> |
| <b>II. Actuarial Accrued Liability (AAL)</b>  |                 |
| A. Actives  | \$ 1,893        |
| B. Retirees, spouses, and beneficiaries   | 3,749           |
| C. Total reported   | <u>\$ 5,642</u> |
| <b>III. Actuarial Value of Assets</b>   | \$ 0            |
| <b>IV. Unfunded Actuarial Accrued Liability (UAAL)</b>                                | \$ 5,642        |
| <b>V. Annual Required Contribution (ARC)</b>  | \$ 249          |
| <b>VI. Assumed Contributions at June 30, 2013</b><br>(based on Pay-as-you-go Funding) | \$ 421          |
| <b>VII. Net OPEB Obligation (NOO) at July 1, 2012</b>                                 | \$ 0            |
| <b>VIII. Net OPEB Obligation (NOO) at June 30, 2013</b>                               | \$ (172)        |
| <b>IX. Annual OPEB Cost</b>   | \$ 249          |

## Section 2 - Annual Required Contribution for Fiscal 2013

The following table summarizes the development of the Annual Required Contribution for Fiscal 2013 assuming Foothill–De Anza Community College District funds the obligation as a "pay as you go" approach.

### I. Development of the Annual Required Contribution

|   |    |       |
|---|----|-------|
| A. Actuarial Accrued Liability (AAL)                      | \$ | 5,642 |
| B. Market Value of Assets                                 |    | 0     |
| C. Unfunded Actuarial Accrued Liability (UAAL): (1) - (2) | \$ | 5,642 |
| D. Number of years to amortize                            |    | 30.00 |
| E. Amortization of the UAAL                               | \$ | 216   |
| F. Normal Cost (cost of fiscal year benefit accruals)     | \$ | 23    |
| G. Interest Adjustment                                    | \$ | 10    |
| H. Annual Required Contribution: [ (E) + (F) + (G) ]      | \$ | 249   |

### II. Assumptions Used to Determine the ARC

|  |       |
|--|-------|
| A. Investment Return Assumption: Discount Rate | 4.00% |
| B. Salary Scale                                | 3.00% |

### Section 3 - Plan Participants

The Foothill–De Anza Community College District provided employee data as of the valuation date. An audit of the data was not made. The following table summarizes the census data used in the fiscal 2013 GASB 45 Actuarial Valuation. Ages are based on rounded ages as of the measurement date.

|  | <b>Fiscal<br/>2013</b> |
|--|------------------------|
| <b>I. Counts</b>                           |                        |
| A. Actives at Full Attribution Age         | 142                    |
| B. Actives Not Yet at Full Attribution Age | 51                     |
| C. Retirees                                | 17                     |
| D. Surviving Spouses                       | 11                     |
| E. Total                                   | 221                    |



### Section 3 (continued) - Plan Participants

#### II. ACTIVES CENSUS DATA

A. Average Age: 55.5

B. Average Service: 24.0

C. Age / Service Chart for Active Participants:

| AGE     | <u>Service</u> |     |       |       |       |       |       |       |     | Total |
|---------|----------------|-----|-------|-------|-------|-------|-------|-------|-----|-------|
|         | <5             | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35-39 | 40+ |       |
| <20     | 0              | 0   | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 0     |
| 20 - 24 | 0              | 0   | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 0     |
| 25 - 29 | 0              | 0   | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 0     |
| 30 - 34 | 0              | 0   | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 0     |
| 35 - 39 | 0              | 0   | 0     | 0     | 0     | 0     | 0     | 0     | 0   | 0     |
| 40 - 44 | 0              | 0   | 0     | 2     | 1     | 0     | 0     | 0     | 0   | 3     |
| 45 - 49 | 0              | 0   | 0     | 16    | 16    | 5     | 0     | 0     | 0   | 37    |
| 50 - 54 | 0              | 0   | 0     | 12    | 19    | 6     | 2     | 0     | 0   | 39    |
| 55 - 59 | 0              | 0   | 0     | 15    | 16    | 14    | 14    | 3     | 0   | 62    |
| 60 - 64 | 0              | 0   | 0     | 4     | 15    | 8     | 6     | 7     | 0   | 40    |
| 65+     | 0              | 0   | 0     | 2     | 4     | 4     | 2     | 0     | 0   | 12    |
| Total   | 0              | 0   | 0     | 51    | 71    | 37    | 24    | 10    | 0   | 193   |

#### III. RETIREES AND BENEFICIARIES CENSUS DATA

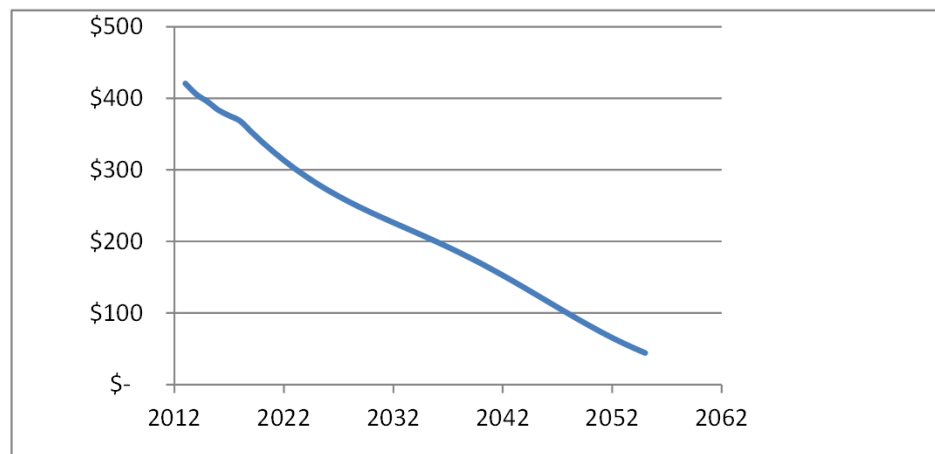
A. Average Age: 73.9

B. Age Chart for Retirees and Beneficiaries:

| Age   | <u>Retirees and Beneficiaries</u> |
|-------|-----------------------------------|
| <55   | 4                                 |
| 55-59 | 4                                 |
| 60-64 | 1                                 |
| 65-69 | 3                                 |
| 70-74 | 0                                 |
| 75-79 | 4                                 |
| 80-84 | 4                                 |
| 85+   | 8                                 |
|       | <hr/> 28                          |

### Section 4 - Expected Benefit Payments

| Year | Benefit Payment | Year | Benefit Payment | Year | Benefit Payment |
|------|-----------------|------|-----------------|------|-----------------|
| 2013 | \$ 421          | 2028 | \$ 255          | 2042 | \$ 153          |
| 2014 | \$ 406          | 2029 | \$ 248          | 2043 | \$ 144          |
| 2015 | \$ 396          | 2030 | \$ 240          | 2044 | \$ 135          |
| 2016 | \$ 384          | 2031 | \$ 233          | 2045 | \$ 126          |
| 2017 | \$ 376          | 2032 | \$ 227          | 2046 | \$ 117          |
| 2018 | \$ 369          | 2033 | \$ 220          | 2047 | \$ 108          |
| 2019 | \$ 354          | 2034 | \$ 213          | 2048 | \$ 99           |
| 2020 | \$ 339          | 2035 | \$ 206          | 2049 | \$ 90           |
| 2021 | \$ 326          | 2036 | \$ 199          | 2050 | \$ 82           |
| 2022 | \$ 314          | 2037 | \$ 192          | 2051 | \$ 73           |
| 2023 | \$ 302          | 2038 | \$ 185          | 2052 | \$ 65           |
| 2024 | \$ 291          | 2039 | \$ 177          | 2053 | \$ 58           |
| 2025 | \$ 281          | 2040 | \$ 169          | 2054 | \$ 51           |
| 2026 | \$ 272          | 2041 | \$ 161          | 2055 | \$ 44           |
| 2027 | \$ 263          |      |                 |      |                 |



## Section 5 - Plan Provisions

This summary of plan provisions, as of the measurement date, has been prepared for valuation purposes only. It outlines the major plan provisions used to determine the postretirement benefit cost.

- A. Plan effective date: June 30, 2012.
- B. Plan year anniversary date: July 1.
- C. Eligibility and Coverage: Eligible future retiree means any employee of the District who, at the time of retirement, is a current Employee who was hired prior to 1997 and terminates employment from the District after June 30, 2012, with entitlement to retiree medical benefits under the 20-year service rule and does not initiate a pension benefit from CalPERS or CalSTRS within 120 days of termination because he is not eligible to initiate a benefit or he has elected to not initiate a benefit from CalPERS or CalSTRS.
- Benefits are payable to the participant for life and on his or her death to the surviving spouse (if any) for that person's life. Surviving spouses of retirement-eligible actives are also covered for their lifetime.
- D. Benefit: The benefit paid under this Plan shall be equal to \$1 per month, payable in an annual payment for completed months at the end of each Plan Year.
- E. Monthly Retiree Contributions: None.
- F. Changes since last valuation: N/A.



## Section 6 - Actuarial Basis

The tables in this Section summarize the actuarial assumptions and cost methods used to deterring plan liabilities and postretirement medical cost.

Actuarial Standards of Practice No. 35 (ASOP 35) requires that each assumption used shall reflect the best estimate solely with respect to that assumption. The statement requires the use of assumptions that represent the best estimate of future experience under the plan and reasonably relate to the expected experience of the plan. The assumed discount rate shall reflect the rates at which the postretirement welfare benefits could be effectively settled. We believe that the current actuarial basis meets this requirement. We will monitor the actuarial experience under the plan in future years in order to justify the appropriateness of these assumptions.

### I. Actuarial Methods

- |  |   |
|--|---|
| A. Valuation Date:   | July 1, 2012.   |
| B. Fiscal Year Ending:                                     | June 30, 2013.  |
| C. Data Collection Date:                                   | July 1, 2012.   |
| D. Actuarial Cost Method:                                  | Projected Unit Credit - Under this cost method, the costs attributable to past service and the current year's service are determined by prorating over all years of service the benefits expected to be paid from the plan. The normal cost for any year is determined equal to the present value of the current year's portion of the employee's expected postretirement welfare benefit. The current year's portion is equal to the expected postretirement welfare benefit divided by the total credited service at the anticipated retirement date. The accrued liability is determined equal to the present value of the past year's portion of the employee's expected postretirement welfare benefit. The past year's portion is equal to the expected postretirement welfare benefit times the ratio of the participant's credited service to the total credited service at the anticipated retirement date. The sum of these values for all employees determines the normal cost and the accrued liability for the plan. |
| E. Changes since last valuation:                           | N/A.  |
| F. Method used to Determine the Actuarial Value of Assets: | N/A.  |
| G. Amortization of the UAAL:                               | Open, level percentage of compensation over a 30.0 year period.   |



## Section 6 (continued) - Actuarial Basis

### II. Actuarial Assumptions

- A. Investment Rate of Return  
     Selected (Discount Rate):  
         Expected Return on Employer's  
         General Assets: 4.00% (Pay-as-you-go).
- B. Payroll Growth: 3.00%.
- C. Mortality Table: RP-2000 Combined Mortality Table for Males and Females, Projected to 2012 using Scale AA.
- D. Retirement Rates:
- | <u>Years of Service</u> | <u>Rate</u> |
|-------------------------|-------------|
| Less than 20            | 0%          |
| 20 or More              | 100%        |
- E. Withdrawal Rates: None.
- F. Disability Rates: None.
- G. Participation: 5% of all the active participants are assumed to participate in the plan upon retirement.
- H. Retirement Marriage Assumptions: 60% of actives are assumed to be married with husbands three years older than wives. Actual spouse data used for current retirees.
- I. Full Attribution Age: Age at which retirement rate is 100% once eligibility has been fulfilled (Age when the 20-year service requirement is met).
- J. Changes since the Last Valuation: N/A.

## Section 7 – Overview of GASB Statements

### Statement No. 45

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”

All public sector plans with Postemployment benefits will be required to report the cost on their balance sheets. The effective date for implementation is based on the annual revenues of the largest participating employer, as follows:

| <u>Revenues</u>               | <u>Effective Date*</u> |
|-------------------------------|------------------------|
| \$100 million and above       | December 15, 2006      |
| \$10 million to \$100 million | December 15, 2007      |
| Less than \$10 million        | December 15, 2008      |

\* Plans would be required to implement for fiscal years beginning after the effective date. GASB encourages earlier implementation.

Public sector plans are required under GASB Statement No. 45 to recognize costs, for reporting on the financial statements, on an accrual basis (similar to public sector pension plans). Some of the key reporting elements are as follows:

Annual Required Contribution – Represents the annual cost of providing OPEB benefits and is equal to the cost of benefits expected to be accrued during the fiscal year, plus an amortization of unfunded liability.

Net OPEB Obligation – Represents a liability accrued to date in the plan. Each year the Net OPEB Obligation will be increased by the Annual Required Contribution, and decreased by employer contributions (or net benefit payments in the case of an unfunded plan).

Required Supplementary Information – Includes historical information about plan assumptions, as well as a three year schedule of unfunded liability.

Selection of the asset return assumption under GASB Statement No. 45 should include input from the plan sponsor, the actuary, and the external plan auditor. Paragraph 13 requires that the rate reflect a long-term expected investment yield for assets expected to be used to pay benefit payments. For an unfunded plan, this would be the assets of the employer.

## Section 7 (continued) – Overview of GASB Statements

### Statement No. 43

The Governmental Accounting Standards Board (GASB) has issued Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”

All public sector plans with Postemployment benefits that are pre-funded or administrated through a separate trust will be required to report the cost on their balance sheets. The effective date for implementation is based on the annual revenues of the largest participating employer, as follows:

| <u>Revenues</u>               | <u>Effective Date*</u> |
|-------------------------------|------------------------|
| \$100 million and above       | December 15, 2005      |
| \$10 million to \$100 million | December 15, 2006      |
| Less than \$10 million        | December 15, 2007      |

\* Plans would be required to implement for fiscal years beginning after the effective date. GASB encourages earlier implementation. Note that for pre-funded benefits, compliance with GASB Statement No. 43 is required earlier than Statement No. 45 due to the existence of a plan.

Public sector plans with benefits that are pre-funded are required under GASB Statement No. 43 to report some additional items on the financial statements, in addition to the requirements of GASB No. 45. A statement of plan net assets and changes in net assets would be required. In addition a 3 year schedule of funding progress and employer contributions would be required.

For a plan that is funded or partially funded by a dedicated trust, the investment return assumption required under GASB Statement No. 43 would be a mix of the plan's expected long-term yield on assets, and the employer's expected long-term yield on general assets. For a plan that is fully funded, the yield mix would be 100% plan assets, 0% employer assets.

## Section 8 – Glossary of Terms

|  |  |
|--|--|
| <b>Actuarial Accrued Liability (AAL)</b>                   | The actuarial present value of future benefits based on employees' service rendered to the measurement date using the selected actuarial cost method.  |
| <b>Actuarial Assumptions</b>                               | Assumptions as to the occurrence of the future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determining the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items. |
| <b>Actuarial Cost Method</b>                               | A procedure for determining an actuarially equivalent allocation of the present value of future benefits to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.   |
| <b>Actuarial Valuation</b>                                 | The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for an OPEB plan.  |
| <b>Actuarial Valuation Date</b>                            | The date as of which an actuarial valuation is performed.  |
| <b>Actuarial Value of Assets</b>                           | The value of cash, investments and other property belonging to an OPEB plans, as used by the actuary for the purpose of an Actuarial Valuation.  |
| <b>Annual Required Contributions of the Employer (ARC)</b> | If the plan were funded, the ARC would equal the employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the GASB 45 parameters. For non-funded plans, this amount is calculated and used to increase the net unfunded OPEB Obligation.   |
| <b>Annual OPEB Cost</b>                                    | An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The Annual OPEB Cost is recorded as an expense and disclosed in the government-wide financial statement.  |
| <b>Discount Rate</b>                                       | The rate equal to the expected return on invested assets relative to the assets that will be used to pay for the benefits specified by the OPEB plan.  |



## Section 8 (continued) – Glossary of Terms

|   |  |
|---|--|
| <b>Funding Policy</b>                       | The program for the amounts and timing of contributions to be made by plan members, employer and other contributing entities (for example, state government contributions to a local government plan ) to provide the benefits specified by an OPEB plan.  |
| <b>Healthcare Cost Trend</b>                | The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments.   |
| <b>Net OPEB Obligation</b>                  | The cumulative difference as of the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. The Net OPEB Obligation is represented as a balance sheet liability in the Statement of Net Assets.   |
| <b>Normal Cost</b>                          | The present value of future benefits earned by employees during the current fiscal year.   |
| <b>Other Postemployment Benefits (OPEB)</b> | Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits. Other types of OPEB benefits include postemployment life insurance, educational benefits, dues, discounts, and any other postemployment non-pension benefit. |
| <b>Pay-As-You-Go</b>                        | A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.   |
| <b>Payroll Growth Rate</b>                  | An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.   |

## Section 8 (continued) – Glossary of Terms

**Per Capita Costs**

Expected benefit cost for the valuation year on a per individual basis. Per capita costs represent the expected benefit payments specific to the characteristics of the plan participants; subsidies to or from another employee benefit group are not permitted.

**Plan Assets**

Resources, usually in the form of stocks, bonds and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.

**Postemployment Healthcare Benefits**

Medical and other health-related benefits and reimbursements provided to terminated or retired employees and their dependents and beneficiaries.

**Present Value of Future Benefits**

Projected benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members upon retirement) as a result of their service through the valuation date and their expected future service. The actuarial present value of projected future benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment (taking into account mortality, turnover, probability of participating in the plan retirement, etc.) Alternatively, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay the projected benefits when due. Generally the PVFB includes expenses associated with the plan (claims adjudication, investment, etc).

**Unfunded Actuarial Accrued Liability (UAAL)**

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. For an unfunded plan, the UAAL is equal to the AAL.

