WILLOWS UNIFIED SCHOOL DISTRICT
Office of the Superintendent

Date: 9/13/11

Request for Placement on Board Agenda:

AGENDA TOPIC: Approval of Actuarial Analysis of Retiree Medical Benefits as Prepared by Demsey Filliger & Associates

PRESENTER: Betty Skala, Director of Business Services

Background Information:

Willows Unified School District (WUSD) uses an actuarial study to disclose and fund the future obligation of health benefits for employees eligible for such benefits. Education Code Section 42140 requires disclosure of the present value of benefits expected to be paid for its current and future retirees. The present value of these benefits is projected to be $8,196,384. This includes benefits for 49 retirees as well as 112 active employees who may become eligible to retire and receive benefits in the future. Periodic actuarial studies should be done to monitor experience compared to actuarial projections. We are required to complete this study every three years.

District payments related to the actuarial study are recorded in general fund. Resources to fund post retirement come from all funding sources including unrestricted based on an accessed percentage for every dollar spent on payroll.

The annual required contribution (ARC) for fiscal year 2011-12 is $621,530. Currently we are paying for our obligation on a "pay-as-you-go" estimated at $542,794. If we were to fund the ARC, thus increase the OPEB annual obligation, the additional $78,736 would fund our future obligations. Because of the current fiscal instability at the State level, consequently impacting the District, it is not in our best interest at this time to fund our future liability, nor establish an irrevocable trust to account for our future obligation. An irrevocable trust cannot be unallocated to meet other district financial needs; therefore the funds are permanently obligated based on the trust agreement. Establishing and funding an irrevocable trust to meet our post retirement obligations is something we need to consider as the economy improves such that we can fund this obligation.

Recommendations:

The administration would request the board approve the actuarial analysis of retiree medical benefits as prepared by Demsey, Filliger & Associates. Additionally, continue to fund our post retirement costs on a pay as you go basis.

Demsey Filliger
+ ASSOCIATES

September 13, 2011

Ms. Betty Skala
Director of Business Services
Willows Unified School District
823 W. Laurel St.
Willows, CA 95988

Re: Willows Unified School District ("District") GASB 45 Valuation

Dear Ms. Skala:

This report sets forth the results of our GASB 45 actuarial valuation of the District's retiree health insurance program as of July 1, 2011.

In June, 2004 the Government Accounting Standards Board (GASB) issued its final accrual accounting standards for retiree healthcare benefits, GASB 43 and GASB 45. GASB 43/45 require public employers such as the District to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and the trust, if any, set aside to pre-fund these liabilities. The District must obtain actuarial valuations of its retiree health insurance program under GASB 43/45 not less frequently than once every three years.

To accomplish these objectives the District selected Demsey, Filliger and Associates (DF&A) to perform an actuarial valuation of the retiree health insurance program as of July 1, 2011. This report may be compared with the valuation performed by Steven T. Itelson, Consulting Actuary as of January 1, 2009, to see how the liabilities have changed since the last valuation. We are available to answer any questions the District may have concerning the report.

Financial Results

We have determined that the amount of actuarial liability for District-paid retiree benefits is $8,196,384 as of July 1, 2011. This represents the present value of all benefits expected to be paid by the District for its current and future retirees. If the District were to place this amount in a fund earning interest at the rate of 5.0% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits.

This includes benefits for 49 retirees as well as 112 active employees who may become eligible to retire and receive benefits in the future. It excludes employees hired after the valuation date.

When we apportion the $8,196,384 into past service and future service components under the Projected Unit Credit Cost Method, the past service liability (or "Accrued Liability") component is $7,109,278 as of July 1, 2011. This represents the present value of all benefits earned to date assuming that an employee earns retiree healthcare benefits ratably over his or her career. The $7,109,278 is comprised of liabilities of $2,995,346 for active employees and $4,113,932 for retirees. Because the District has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the Unfunded Accrued Liability (called the UAL, equal to the AL less Assets) is also $7,109,278.

GASB 45 had an effective date of July 1, 2008 for the District. GASB 43, pertaining to the financial statements of a retiree trust itself, would have taken effect one year earlier (June 30, 2008); however, the District has no trust at present so GASB 43 is not yet applicable.

We have determined that Willows Unified School District's "Annual Required Contributions", or "ARC", for the fiscal year 2011-12, is $621,530. The $621,530 is comprised of the present value of benefits accruing in the current year, called the "Service Cost", and a 30-year amortization of the UAL. We estimate that the District will pay approximately $542,794 for the 2011-12 fiscal year in healthcare costs for its retirees and their covered dependents, so the difference between the accrual accounting expense (ARC) and pay-as-you-go is an increase of $78,736.

There are two adjustments to the ARC that are required in order to determine the District's Annual OPEB Cost (AOC) for the 2011-12 fiscal year. We have calculated these adjustments based on an unaudited Net OPEB Obligation (NOO) of $17,986 as of June 30, 2011, resulting in an AOC for 2011-12 of $621,259.

We show these numbers in the table on the next page and in Exhibit II. All amounts are net of expected future retiree contributions, if any.

Willows Unified School District

Annual Liabilities and Expense under

GASB 45 Accrual Accounting Standard

Projected Unit Credit Cost Method

Item	Amounts for Fiscal 2011-12
Present Value of Future Benefits (PVFB)	
Active	$4,082,452
Retired	4,113,932
Total: PVFB	**$8,196,384**
Accrued Liability (AL)	
Actives	$2,995,346
Retired	4,113,932
Total: AL	**$7,109,278**
Assets	(0)
Total: Unfunded AL	**$7,109,278**
Annual Required Contributions (ARC)	
Service Cost At Year-End	$159,061
30-year Amortization of Unfunded AL	462,469
Total: ARC	**$621,530**
Adjustments to ARC	
Interest on Net OPEB Obligation*	899
Adjustment to Net OPEB Obligation*	(1,170)
Total: Annual OPEB Cost (AOC) for 2011-12	**$621,259**

*Amounts based on unaudited June 30, 2011 Net OPEB Obligation of $17,986.

The ARC of $621,530, shown above, should be used for the 2011-12, 2012-13 and 2013-14 fiscal years, but the Annual OPEB Costs for each of three years must include an adjustment based on the Net OPEB Obligation (NOO) as reported in the preceding year's financial statement, which is not known precisely in advance.

When the District begins preparation of the June 30, 2012 government-wide financial statements, DF&A will provide the District and its auditors with complimentary assistance in preparation of footnotes and required supplemental information for compliance with GASB 45 (and GASB 43, if applicable).

Differences from Prior Valuation

The most recent prior valuation was completed as of January 1, 2009 by Steven T. Itelson, Consulting Actuary. The AL (Accrued Liability) as of that date was $7,640,500, compared to $7,109,278 as of July 1, 2011. In this section, we provide a reconciliation between the two numbers so that it is possible to trace the AL from one actuarial report to the next.

Several factors have caused the AL to change since 2009. The passage of time increases the AL as the employees accrue more service and get closer to receiving benefits. There are actuarial gains/losses from one valuation to the next, and changes in actuarial assumptions and methodology for the current valuation. To summarize, the most important changes were as follows:

1. There was a gain of $522,797 (a decrease in the AL) from our changing the discount rate from 4.25% to 5.0%.
2. There was a gain (a decrease in the AL) from all other sources of $222,908.

The estimated changes to the AL from January 1, 2009 to July 1, 2011 may be summarized as follows:

Changes to AL	AL
AL as of 1/1/09	**$7,640,500**
Passage of time	214,483
Change in discount rate	(522,797)
Census and other changes	(222,908)
AL as of 7/1/11	**$7,109,278**

Even though the AL has decreased since the 2009 valuation, the ARC has increased slightly. This is because the 2009 valuation used the level percent of pay amortization method for the AL, a method we do not recommend because it frequently results in a negative amortization situation, analogous to an upside-down automobile loan. It also results in a pattern of increasing ARCs over time. For these reasons, we have used a level dollar amortization (30 year, open period) for the ARC shown in this report.

GASB 43 and GASB 45 Compliance Issues

There are two considerations regarding GASB 43 and GASB 45 that we would like to mention at this point:

(1) Both statements specify that in order for a retiree fund to be counted as "assets" for purposes of the statements, the fund must be set aside in a separate, irrevocable trust, that may not be used for any purpose besides the payment of plan benefits to retirees. The trust must also be beyond the reach of creditors of both the employer and/or the plan administrator, if any. For example, an earmarked reserve in the general fund is not expected to meet this definition of "assets". We recommend that the District consider taking steps to establish a retiree fund that meets the GASB requirements, as soon as possible.

(2) There has been some confusion among public agencies throughout California over what GASB 45 does and does not require. Specifically, many agencies initially believed that GASB 45 required pre-funding of retiree healthcare plans. This is not the case - the standard applies only to the expense to be charged to the agencies' income statements. Contributing to the confusion is the terminology used in both GASB 43 and GASB 45 for the annual expense - it's called the "Annual Required Contributions", even though it's neither required nor (necessarily) contributed.

Relationship between GASB 45 And District Funding Policy

We do not believe that it is necessary or even desirable for an agency to establish a policy of funding exactly the ARC on a cash basis each year. The reasons for this are a bit complex and beyond the scope of this report, but the important thing to understand is that GASB 45 pertains to the income statement, and funding pertains to cash flow, and there is no need for the two to be directly linked, at least for now.

Despite these concerns, we do recommend that the District adopt a policy of pre-funding its retiree healthcare plan as soon as possible. The benefits of pre-funding into an irrevocable retiree trust are numerous. To name a few, the District can expect the establishment of an irrevocable trust to result in:

(1) improved return on investments;
(2) healthier District financial statements;
(3) lower ARC in future years (since pre-funded amounts reduce future years' amortization charges on the Unfunded AL, and the actuary may use a higher discount rate);
(4) more predictable and manageable cash flows; and
(5) greater economic security for District employees and retirees.

Funding Schedules

There are many ways to approach the pre-funding of retiree healthcare benefits. In the *Financial Results* section, we determined the annual expense for all District-paid benefits. The expense is an orderly methodology, developed by the GASB, to account for retiree healthcare benefits. However, the GASB 45 expense has no direct relation to amounts the District may set aside to pre-fund healthcare benefits.

The table on the next page provides the District with three alternative schedules for funding (as contrasted with expensing) retiree healthcare benefits. The schedules all assume that the retiree fund earns 5.0% per annum on its investments, a starting fund value of $716,235 as of July 1, 2011, and that contributions and benefits are paid mid-year.

The schedules are:

1. A level contribution amount for the next 20 years.
2. A level percent of the Unfunded Accrued Liability.
3. A constant percentage (3%) increase for the next 18 years (the odd period was chosen because a longer period would result in the fund's exhaustion in the early years.)

We provide these funding schedules to give the District a sense of the various alternatives available to it to pre-fund its retiree healthcare obligation. The three funding schedules are simply three different examples of how the District may choose to spread its costs.

By comparing the schedules, you can see the effect that early pre-funding has on the total amount the District will eventually have to pay. Because of investment earnings on fund assets, the earlier contributions are made, the less the District will have to pay in the long run. Of course, the advantages of pre-funding will have to be weighed against other uses of the money.

The table on the following page shows the required annual outlay under the pay-as-you-go method and each of the above schedules. **The three funding schedules include the "pay-as-you-go" costs; therefore, the amount of pre-funding is the excess over the "pay-as-you-go" amount.**

These numbers are computed on a closed group basis, assuming no new entrants, and using unadjusted premiums. We use unadjusted premiums for these funding schedules because we do not recommend that the District pre-fund for the full age-adjusted costs reflected in the GASB 45 liabilities shown in the first section of this report. If the District's premium structure changes in the future to explicitly charge under-age 65 married retirees for the full actuarial cost of their benefits, this change will be offset by a lowering of the active employee rates (all else remaining equal), resulting in a direct reduction in District operating expenses on behalf of active employees from that point forward. For this reason among others, we believe that pre-funding of the full GASB liability would be redundant.

Willows Unified School District

Sample Funding Schedules (Closed Group)

Starting Fund Value of $716,235 as of July 1, 2011

Fiscal Year Beginning	Pay-as-you-go	Level Contribution for 20 years	Level % of Unfunded Liability*	Constant Percentage Increase
2011	$542,794	$498,780	$1,014,569	$424,869
2012	521,257	498,780	895,344	437,615
2013	564,486	498,780	791,250	450,744
2014	573,708	498,780	701,514	464,266
2015	560,421	498,780	623,316	478,194
2016	571,699	498,780	554,613	492,540
2017	526,944	498,780	494,492	507,316
2018	514,928	498,780	440,913	522,535
2019	459,064	498,780	393,540	538,211
2020	460,974	498,780	351,062	554,358
2021	483,549	498,780	313,567	570,988
2022	454,615	498,780	280,503	588,118
2023	440,981	498,780	250,793	605,762
2024	428,527	498,780	224,156	623,934
2025	400,610	498,780	200,208	642,652
2026	396,529	498,780	178,574	661,932
2027	373,825	498,780	159,056	681,790
2028	369,793	498,780	139,934	702,244
2029	348,711	498,780	120,417	0
2030	335,265	498,780	103,623	0
2031	322,068	0	89,174	0
2032	297,865	0	76,741	0
2033	290,542	0	66,043	0
2034	266,455	0	56,838	0
2035	244,096	0	48,917	0
2036	228,426	0	42,101	0
2037	205,194	0	36,236	0
2038	181,845	0	31,188	0
2039	153,376	0	26,843	0
2040	142,714	0	23,104	0
2041	137,888	0	19,886	0
2042	127,836	0	17,117	0
2043	112,124	0	14,735	0
2044	91,245	0	12,684	0
2045	71,005	0	10,918	0
2050	23,649	0	5,157	0
2055	8,211	0	5,211	0
2060	2,379	0	2,379	0
2065	499	0	499	0
2070	56	0	56	0

*Reverts to pay-as-you-go in 2056

Note to auditor: when calculating the employer OPEB contribution for the year ending on the statement date, we recommend multiplying the actual District-paid premiums on behalf of retirees by a factor of 1.1079 to adjust for the implicit subsidy.

Actuarial Assumptions

In order to perform the valuation, the actuary must make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. Our assumptions are based on a standard set of assumptions we have used for similar valuations, modified as appropriate for the District. For example, turnover rates are taken from a standard actuarial table, T-5, reduced by 20% at all ages. This closely matches the District's historic turnover patterns. Retirement rates were also based on recent District retirement patterns. Both assumptions should be reviewed in the next valuation to see if they are tracking well with experience.

The discount rate of 5.0% is based on our best estimate of expected long-term plan experience. It is in accordance with our understanding of the guidelines for selection of this rate under GASB 45 for unfunded plans such as the District's. The healthcare trend rates are based on our analysis of recent District experience and our knowledge of the general healthcare environment.

In determining the cost of covering early retirees (those under the age of 65), we used an age-adjusted claims cost matrix fitted to the average single premium for early retirees. A complete description of the actuarial assumptions used in the valuation is set forth in the "Actuarial Assumptions" section.

Projected Annual Pay-as-you go Costs

As part of the valuation, we prepared a projection of the expected annual cost to the District to pay benefits on behalf of its retirees on a pay-as-you-go basis. These numbers are computed on a closed group basis, assuming no new entrants, and are net of retiree contributions. The annual cost reaches a maximum of $573,708 in FYB 2014. Projected pay-as-you-go costs for selected years are as follows:

FYB	Pay-as-you-go
2011	$542,794
2012	521,257
2013	564,486
2014	573,708
2015	560,421
2020	460,974
2025	400,610
2030	335,265
2035	244,096
2040	142,714
2045	71,005
2050	23,649
2055	8,211
2060	2,379

Breakdown by Employee/Retiree Group

Exhibit I, attached at the end of the report, shows a breakdown of the GASB 45 components (ARC, AL, Service Cost, and PVFB) by bargaining unit (or non-represented group) and separately by active employees (future retirees) and current retirees.

Net OPEB Obligation (NOO) and Annual OPEB Cost (AOC)

Exhibit II shows a development of the District's Net OPEB Obligation ("NOO") as of June 30, 2009, 2010, and 2011, and the Annual OPEB Cost ("AOC") for the fiscal years 2009-10, 2010-11, and 2011-12. The NOO as of June 30, 2011 and the AOC for 2011-12 are estimates (based on unaudited results) as of the date this report is being published.

Certification

The actuarial certification, including a caveat regarding limitations of scope, if any, is contained in the "Actuarial Certification" section at the end of the report.

We have enjoyed working with the District on this report, and are available to answer any questions you may have concerning any information contained herein.

Sincerely,
DEMSEY, FILLIGER AND ASSOCIATES

T. Louis Filliger

T. Louis Filliger, FSA, EA, MAAA
Partner & Actuary

Benefit Plan Provisions

The District offers medical/prescription drug, dental, and vision benefits to its employees and retirees through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis. A separate three-tiered rate structure applies to retirees under the age of 65. A number of Blue Cross PPO/prescription drug plan combinations are offered as well as a high deductible health plan. Delta Dental and Vision Service Plan are also offered through CVT.

Eligibility for District-paid Benefits

Certificated employees who have attained age 55 and have completed at least 15 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to a monthly cap of $1,048.28. Members hired on or after June 30, 1992 must also be at step 16-V or higher in order to be eligible. District-paid benefits end at age 65.

Classified employees who have attained age 55 and have completed at least 20 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to a monthly cap of $967.58. District-paid benefits end at age 65 for those hired on or after January 1, 1995, and continue for life for those hired before January 1, 1995.

Management and Confidential employees who have attained age 55 and have completed at least 16 years of service with the District are eligible to retire and receive District-paid medical, prescription drug, dental and vision coverage, for retiree and covered dependents, subject to a monthly cap of $967.58. District-paid benefits end at age 65 for those hired on or after January 1, 1995, and continue for life for those hired before January 1, 1995.

Following are CVT premiums for retirees and spouses under age 65, as of October 1, 2011:

CVT Plan	Retiree	Retiree +1
Blue Cross Plan 1A	$1,024.00	$1,759.00
Blue Cross Plan 3A	969.00	1,667.00
Blue Cross Plan 4A	942.00	1,618.00
Blue Cross Plan 6A	872.00	1,500.00
Blue Cross Plan 8A	796.00	1,370.00
Blue Cross Plan 9A	718.00	1,236.00
Blue Cross Plan 10A	631.00	1,086.00
Wellness Plan 1C	873.00	1,499.00
High Deductible Health Plan 1	647.00	1,113.00
Delta Dental	100.45	100.45
VSP Vision	19.80	19.80

Valuation Data

Active and Retiree Census

Age distribution of retirees included in the valuation

Age	To Age 65	Lifetime	Total
Under 55	0	0	0
55-59	1	2	3
60-64	15	8	23
65-69	0	3	3
70-74	0	6	6
75-79	0	7	7
80-84	0	4	4
85-89	0	2	2
90+	0	1	1
Total	16	33	49
Average Age	61.88	72.24	68.86

Age/Years of service distribution of active employees included in the valuation

Years→	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
Age									
<25	0								0
25-29	3	2							5
30-34	4	4	1						9
35-39	2	4	5	0					11
40-44	0	4	5	4	0				13
45-49	1	5	2	3	1	0			12
50-54	0	5	5	4	4	1	1		20
55-59	1	0	5	6	5	5	7	1	30
60-64	0	2	2	3	1	0	2	1	11
65+*	0	0	1	0	0	0	0	0	1
All Ages	11	26	26	20	11	6	10	2	112

*not eligible for future District-paid retiree health benefits.

Average Age: 48.88
Average Service: 14.76

Actuarial Assumptions

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	30-year level dollar, open
Discount Rate:	5.0% per annum
Return on Assets:	5.0% per annum
Pre-retirement Turnover:	According to the Crocker-Sarason Table T-5 less mortality, reduced by 20% at all ages. Sample rates are as follows:

Age	Turnover (%)
25	6.2%
30	5.8
35	5.0
40	4.1
45	3.2
50	2.1
55	0.8

Pre-retirement Mortality: 1994 Group Annuity Mortality, male and female tables. Sample deaths per 1,000 employees are as follows:

Age	Males	Females
25	0.71	0.31
30	0.86	0.38
35	0.92	0.51
40	1.15	0.76
45	1.70	1.05
50	2.77	1.54
55	4.76	2.47
60	8.58	4.77

Post-retirement Mortality: 1994 Group Annuity Mortality, male and female tables. Sample deaths per 1,000 retirees are as follows:

Age	Males	Females
65	15.63	9.29
70	25.52	14.73
75	40.01	24.39
80	66.70	42.36
85	104.56	72.84
90	164.44	125.02

Actuarial Assumptions (Continued)

Claim Cost per Retiree or Spouse (before application of cap). Dental/vision are composite:

Age	Medical/Rx	Dental/Vision
50	$8,330	$1,484
55	9,656	1,484
60	11,194	1,484
64	12,599	1,484
65	3,981	1,484
70	4,289	1,484
75	4,620	1,484

Retirement Rates:

Age	Percent Retiring*
55	8.0%
56	12.0
57	15.0
58	18.0
59	20.0
60	25.0
61	30.0
62	35.0
63	40.0
64	45.0
65	100.0

*Of those having met eligibility for District-paid benefits. The percentage refers to the probability that an active employee reaching the stated age will retire within the following year.

Trend Rate:

Healthcare costs were assumed to increase according to the following schedule:

FYB	Medical/Rx	Dental/Vision
2011	8.0%	4.0%
2012	7.0	4.0
2013	6.0	4.0
2014+	5.0	4.0

Percent Married:

Future retirees: 40%, with male spouses assumed 3 years older than female spouses. For current retirees, actual dependent data was used.

Actuarial Certification

The results set forth in this report are based on our actuarial valuation of the health and welfare benefit plans of the Willows Unified School District ("District") as of July 1, 2011.

The valuation was performed in accordance with generally accepted actuarial principles and practices. We relied on census data for active employees and retirees provided to us by the District in July, 2011. We also made use of claims, premium, expense, and enrollment data, and copies of relevant sections of healthcare documents provided to us by the District.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of the actuarial costs of the program under GASB 43 and GASB 45, and the existing and proposed Actuarial Standards of Practice for measuring post-retirement healthcare benefits.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this valuation report to the clients' financial statements.

The undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:

T Louis Filliger

T. Louis Filliger, FSA, EA, MAAA Date: 9/13/11
Partner & Actuary

Willows Unified School District
GASB 45 Valuation Results By Employee Group

	7/1/2011 Valuation Results Certificated	7/1/2011 Valuation Results Classified	7/1/2011 Valuation Results Mgmt/Conf	7/1/2011 Valuation Results Total All Groups
District-paid Present Value of Benefits:				
Actives	$ 1,751,551	$ 1,688,586	$ 642,315	$ 4,082,452
Retirees	661,386	2,514,075	938,471	4,113,932
Total District-Paid PVFB:	$ 2,412,937	$ 4,202,661	$ 1,580,786	$ 8,196,384
District-paid Accrued Liability:				
Actives	$ 1,191,063	$ 1,348,194	$ 456,089	$ 2,995,346
Retirees	661,386	2,514,075	938,471	4,113,932
Total District-Paid AL:	$ 1,852,449	$ 3,862,269	$ 1,394,560	$ 7,109,278
Assets*	-	-	-	-
District-paid Unfunded Accrued Liability ("UAL")	**$ 1,852,449**	**$ 3,862,269**	**$ 1,394,560**	**$ 7,109,278**
GASB 45 ARC ("Annual Required Contributions")				
Service Cost at Year-end	$ 74,202	$ 56,664	$ 28,195	$ 159,061
30-year amortization of District-paid UAL	120,505	251,246	90,718	462,469
Total ARC	**$ 194,707**	**$ 307,910**	**$ 118,913**	**$ 621,530**

*Assets, if any, allocated in proportion to AL pursuant to CDE guidelines only; GASB 45 does not provide authority for this calculation

Willows Unified School District
Development of Annual OPEB Costs

Exhibit II

		Amount
Net OPEB Obligation	**6/30/2008**	**-**
ARC for 2008-9		495,200
Interest adjustment to ARC		-
Amortization adjustment to ARC		-
Annual OPEB Cost 2008-9		**495,200**
Employer Contribution		(411,964)
Net OPEB Obligation	**6/30/2009**	**83,236**
ARC for 2009-10		495,200
Interest adjustment to ARC		3,538
Amortization adjustment to ARC		(3,422)
Annual OPEB Cost 2009-10		**495,316**
Employer Contribution		(541,688)
Change in Net OPEB Obligation 2009-10		(46,372)
Net OPEB Obligation	6/30/2009	83,236
Net OPEB Obligation	**6/30/2010**	**36,864**
ARC for 2010-11		495,200
Interest adjustment to ARC		1,567
Amortization adjustment to ARC		(1,516)
Annual OPEB Cost 2010-11		**495,251**
Employer Contribution		(514,129)
Change in Net OPEB Obligation 2010-11		(18,878)
Net OPEB Obligation	6/30/2010	36,864
Net OPEB Obligation	**6/30/2011 (unaudited)**	**17,986**
ARC for 2011-12		621,530
Interest adjustment to ARC		899
Amortization adjustment to ARC		(1,170)
Annual OPEB Cost 2011-12		**621,259**