Peralta CCD – OPEB Substantive Plan

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GASB 45

Governmental Accounting Standards Board Statement 45 (GASB 45) is an accounting and financial reporting provision that requires governmental agencies to measure and quantify the liabilities associated with Other Post-Employment Benefits (OPEB) and report these liabilities on the entities' financial statements. OPEB expenditures and liabilities include post-retirement health and welfare benefits (medical, pharmacy, dental, and vision) that are not associated with typical pension plans.

GASB 45 was enacted by the Governmental Accounting Standards Board in 2004 because of concern surrounding the undocumented magnitude of government employer obligations for post-employment benefits negotiated within employment contracts and collective bargaining agreements.
The requirements under GASB 45 are as follows:

- Provide within the District's financial statements a description of OPEB benefits provided, eligibility requirements, and the number of employees and retirees covered within the plan;
- Provide an Actuarial Accrued Liability (AAL) as determined by a licensed actuarial firm based upon the benefits provided. An actuarial study is required no less than once every two years; and
- Report as an expense the annual liability incurred and, in addition, the cumulative unfunded liability of the actuarial accrued liability on the District's balance sheet.

History

As determined by the 2005 actuarial study, the Peralta Community College District's OPEB liability was reported as $133.8 million (Actuarial Report dated December 5, 2005 attached). As a way to manage this liability, the Peralta Community College District elected to finance this liability through the issuance of taxable OPEB bonds~~ as a way to manage the liability~~. On July 28, 2005, the Board of Trustees approved Resolution No. 05/06-08 authorizing the issuance of bonds in the aggregate principal amount not-to-exceed $250 million (resolution attached). On August 19, 2005, Peralta's Bond Counsel and General Counsel filed with the Superior Court for the County of Alameda a complaint for validation. The purpose of this complaint was to validate, through the judicial process, the issuance of OPEB bonds "as an obligation imposed by law " or to find that the bonds are legal and permissible obligations imposed by law. The authorization for issuance was validated by judgment by Superior Court of the State of California on November 7, 2005. Since there were no appeals to the judgment during the 30 day appeal time, the judgment was final and unappealable December 7, 2004.court validation attached). On December 13, 2005, the Board of Trustees approved Resolution No. 05/06-28 authorizing the sale of limited obligation bonds to refinance retiree health benefit obligations of the District, approving final form of financing documents, designating an investment management firm, and approving official actions (resolution attached). On December 19, 2005, the District issued $153,749,832.25 taxable 2005 limited obligation OPEB bonds. The bonds were structured as two series. The first series, Series A, was current interest bonds in five maturities totaling $20,015,000. The second series, Series B, was six (6) tranches of convertible auction rate securities (CARS) totaling $133,734,832.25. These six tranches of CARS were initially structured as capital appreciation bonds sold at a fixed rate (yield) that convert on a specific date to a variable rate security or in this case, an auction rate security (ARS). ARS were a viable security (market existed that determined the variable rate) until 2008 when at such time the markets collapsed. The auction rate market for municipal securities remains a non-performing market. As a result, these bonds are considered to be a non-performing security.

In an effort to mitigate the risk associated with the variable interest rates securities or CARS, in 2006 the District entered into forward starting interest rate SWAP agreements on November 28, 2006 with Morgan Stanley Capital Services. There are six SWAPS each matched to a series or tranche of CARS that became effective on the conversion date of each series from CABS to CARS. These SWAP agreements were a hedge to the variable interest rates the District would otherwise pay to the CARS bond holders. This type of swap had the net effect of recasting the CARS into a synthetic fixed rate security. So effectively, rather than paying the variable interest rate at the conversion date, Morgan Stanley agrees to pay the variable rate and the District agrees to pay Morgan Stanley a fixed interest rate.

According to historical documents and records, the CARS structure was selected based upon the belief that investment earnings, at an anticipated annual return of 6%, would be sufficient to pay for retiree health care costs over the life of the OPEB bonds and that the variable interest rates would be below the 6%. Further, the District anticipated that it would maintain its retiree health care costs at a constant 6.7% of annual budget through the final maturity of the bonds in 2049, as opposed to experiencing an increase in such costs to almost 9% of the budget through fiscal year 2020. In fiscal year 2011, the District revised and restructured its OPEB program because the core assumptions that supported the program did not materialize. These core assumptions included: 6% annual return on investments, single digit increase in medical costs, and annual cost of living adjustments from the State. An overview of the restructuring that occurred in fiscal year 2011 is discussed throughout the remainder of this document.

Debt Restructurings

In 2006 and 2009, the District restructured the 2005 OPEB bonds. For the 2006 transaction, three short maturities of current interest bonds were restructured to mature in 2049. In the 2009 transaction, two short maturities of current interest bonds were restructured to mature in 2011 to 2015. In addition, the first series of convertible capital appreciation bonds (B-1) was restructured as current interest bonds in anticipation of the conversion of the CABS to ARS which had no effective market. The B-1 SWAP associated with the B-1 tranches of securities was not terminated. As a result, these transactions increased the overall debt service to the program. All of the Morgan Stanley SWAPs are still outstanding. Since the B-1 SWAP was not terminated during the 2009 restructuring, it has passed its forward starting date of August 2010 and became effective. Per the swap agreement, the District is currently making payments to Morgan Stanley due to changes in the short term interest rates.

In October of 2011, the District restructured the current interest bonds that were issued in 2006 and 2009. The purpose of this restructuring was to provide debt service payment relief to the unrestricted general fund. In planning for the 2010-11fiscal year, the District was in a position where it had to cut in excess of $15 million to balance its operating fund (unrestricted general fund). Further, plans were developed to cut the District's operating fund in anticipation of additional reductions at the State level, increases attributed to CalPERS employer contribution increases, increases in health and welfare expenditure for current employees, and increases in debt services payments attributed to OPEB bonds. A summary of the debt services prior to and after the restructuring is provided below.

	Debt Service Prior to Restructuring	Debt Service Post Restructuring
Estimated Debt Service in 2012	$8,104,282.78	$1,637,033.92
Estimated Debt Service in 2013	$9,159,220.60	$4,247,467.76
Estimated Debt Service in 2014	$10,366,629.27	$5,810,280.98
Estimated Debt Service in 2015	$11,745,840.47	$6,727,396.13
Estimated Debt Service in 2016	$19,823,770.80	$7,646,992.27
Estimated Debt Service in 2017	$9,247,141.55	$13,312,115.32

After fiscal year 2017, the average annual increase in debt service will be approximately 3%. Due to this refunding, the District's unrestricted general fund will save approximately $29 million in debt service payments over this six-year period.

Revocable Trust

As part of establishing an OPEB program, the District had set up a revocable trust for the bond proceeds managed by Lehman Brothers' asset arm, Neuberger Berman. A revocable trust is one that may be altered or terminated during the life of the program. In 2005, when the trust was initially established, the District chose a revocable trust because of the belief that the bond proceeds could, under certain circumstances, be used to redeem bonds or upon retirement of all debt, remaining monies could be transferred to the general fund. After further review of the trust documents and the bond indenture itself (see Appendix II), the only two permissible uses of the bond proceeds are: 1) to fully fund the actuarial determined liability and then contingent upon fully funding the liability; and 2) paying for debt services related to the OPEB bonds. Given that the bond indenture serves as the primary authority on the permissible uses of these funds, the trust documents are now in the process of being revised to reflect this. Further, once the trust documents are revised, the revocable trust will be converted into an irrevocable trust or a trust that is a combination of the two. An irrevocable trust cannot be changed or terminated by the creator without the agreement of the beneficiary. After consultation with the District's external auditors who are certified public accountants, as well as the District's bond and disclosure counsel, it is understood that the conversion from a revocable to an irrevocable trust or a combination of the two will have no impact regarding limiting the District's use of the bond proceeds, as it is already defined in the bond indenture. In addition, the conversion will remove the long-term liabilities associated with the OPEB program from the District's balance sheet as the trust assets will offset those liabilities.

Bylaws and Management Structure

At its April 2011 meeting, the Peralta Community College District Retirement Board (RB) approved bylaws and a charter that clearly articulates the mission and purpose of the RB in addition to laying the framework on how business was to be conducted. The RB is made up of five voting members. In terms of facilitating meetings and conducting operations, the RB has appointed Ronald Gerhard, Vice Chancellor for Finance, as Chair and Trustee Bill Withrow as Vice Chair. As called for within the bylaws, the Chair and Vice Chair will serve in their respective capacity for two years at which time the RB will make new appointments. In addition, the RB solicited nominations from the various constituent groups that are beneficiaries of the trust to serve as advisory RB members. These members have access to all information provided to the five regular RB members and participate in open discussion and dialog during the meetings. In total, there are six advisory members; each of the three collective bargaining groups within the Peralta District has an advisory seat and the Peralta Retiree Organization (PRO) has three seats. The RB meets quarterly.

Discretionary Trustee

Prior to the RB approving the Discretionary Trustee contract with Neuberger Berman, the RB members were exposed to a tremendous amount of risk from a fiduciary perspective. That is, the RB members had a fiduciary responsibility to evaluate and monitor the investment manager on an ongoing basis to ensure investments were placed and held within the parameters of the Investment Policy Statement (IPS). This very technical and administrative responsibility is often outside of the level of investment skill set of most RB members. Customarily, due to the nature and very detailed level of investment knowledge needed to carry out this task, other comparable OPEB Retirement Boards have hired a Discretionary Trustee whose primary role is to act as the fiduciary agent and directly advise the RB on all investment matters. With the inclusion of a Discretionary Trustee, the fiduciary liability exposure to the RB and its members are reduced significantly.

At the January 26, 2012 RB meeting, Neuberger Berman was selected to serve as the Discretionary Trustee of the OPEB trust. Functioning in this role, the Neuberger Berman Discretionary Trustee will ensure that the IPS is adhered to by the investment managers, will constantly monitor the investment managers and evaluate them against their established benchmarks, and advise or make recommendations to the RB on changes to the IPS as circumstances and the markets change. Additionally, Neuberger Berman will also function as the custodian of the plan assets.

Other Post-Employment Benefits – Level of Benefits Provided

The Peralta Community College District negotiates with three recognized employee bargaining units. The results of these negotiations often impact the level of benefits provided to employees and future retirees and associated costs to the District. Those bargaining units are Service Employees International Union (SEIU) Local 1021, International Union of Operating Engineers (IUOE) Local 39, and California Federation of Teachers Local 1603 (Peralta Federation of Teachers). Prior to July 1, 2012, active employees and eligible dependents were able to participate and obtain medical and dental coverage in the District's sponsored plans. Employees hired on or before June 30, 2004 are eligible to receive District paid benefits for the duration of the employee's life. Employees hired after June 30, 2004 and retired from the District are eligible to receive District paid benefits until the age of 65, at which time the employee would then have coverage under Medi-Cal/Medicare as the primary source of medical coverage with the District's coverage becoming secondary.

Effective July 1, 2012, the District and the three bargaining units successfully negotiated numerous changes including plan design changes, employee contributions and the incorporation of a variable rate cap limiting the amount the District pays for medical and dental benefits.

The plan design changes for medical plans introduce a mid-level self-funded medical plan which provides the same level of benefits as the District's traditional self-funded plan, but exclusively utilizes the network provided by Anthem Blue Cross. The District continues to offer its traditional self-funded PPO plan which allows employees to see practitioners outside of the Anthem Blue Cross network, but employees will now have to pay the premium difference between this mid-level plan (PPO Lite) and the traditional PPO plan. Employees who choose the PPO Lite plan are now required to pay monthly: $15 for employee only coverage; $30 for employee + dependent coverage; and $45 for employee + family coverage. Employees who choose the PPO Traditional plan are required to pay the monthly difference between the monthly premium cost to the District for the PPO Lite plan and the monthly premium cost to the District for the PPO Traditional plan. The District continues to offer the Kaiser plan free to employees. Copies of the agreements with the respective unions are provided as Evidence documents. Additionally, the two tables below provide cost data based upon these plan design changes.

2014-15	MONTHLY			ANNUAL			PFT AND ADM AND L1021
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional	
Single	683.77	716.64	895.87	8,205.24	8,599.68	10,750.44	Assumption for this spreadsheet
EE +1	1,367.53	1,601.15	2,001.59	16,410.36	19,213.80	24,019.08	PFT, L1021 & ADM Schedule with
EE + 2 or more	1,935.06	2,405.47	3,007.04	23,220.72	28,865.64	36,084.48	$28,866 CAP
EMPLOYER OBLIGATION							
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional	PPO lite = Rate - $15 for single
Single	683.77	701.64	716.64	8,205.24	8,419.68	8,599.68	PPO lite = Rate - $30 for +1
EE +1	1,367.53	1,571.15	1,601.15	16,410.36	18,853.80	19,213.80	PPO lite = Rate - $45 for +2
EE + 2 or more	1,935.06	2,360.47	2,405.47	23,220.72	28,325.64	28,865.64	PPO Traditional = PPO Lite rate

2014-15	MONTHLY			ANNUAL			L39
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional	
Single	669.42	608.59	658.03	8,033.04	7,303.08	7,896.36	Assumption for this spreadsheet
EE +1	1,338.84	1,359.74	1,470.21	16,066.08	16,316.88	17,642.52	L39 Schedule with $24,514 CAP
EE + 2 or more	1,894.46	2,042.77	2,208.73	22,733.52	24,513.24	26,504.76	
EMPLOYER OBLIGATION							
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional	PPO lite = Rate - $15 for single
Single	669.42	593.59	608.59	8,033.04	7,123.08	7,303.08	PPO lite = Rate - $30 for +1
EE +1	1,338.84	1,329.74	1,359.74	16,066.08	15,956.88	16,316.88	PPO lite = Rate - $45 for +2
EE + 2 or more	1,894.46	1,997.77	2,042.77	22,733.52	23,973.24	24,513.24	PPO Traditional = PPO Lite Rate

2012-13	MONTHLY			ANNUAL				PFT AND ADM AND L1021
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional		
Single	622.64	666.55	729.10	7,471.68	7,998.60	8,749.20		Assumption for this spreadsheet
EE +1	1,245.27	1,489.24	1,628.99	14,943.24	17,870.88	19,547.88		PFT & ADM Schedule with $26,848 cap
EE + 2 or more	1,762.06	2,237.32	2,447.27	21,144.72	26,847.84	29,367.24		
EMPLOYER OBLIGATION								
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional		PPO lite = Rate - $15 for single
Single	622.64	651.55	666.55	7,471.68	7,818.60	7,998.60		PPO lite = Rate - $30 for +1
EE +1	1,245.27	1,459.24	1,489.24	14,943.24	17,510.88	17,870.88		PPO lite = Rate - $45 for +2
EE + 2 or more	1,762.06	2,192.32	2,237.32	21,144.72	26,307.84	26,847.84		PPO Traditional = Rate - Traditional Rate

2012-13	MONTHLY			ANNUAL				L39
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional		
Single	609.25	648.22	710.40	7,311.00	7,778.64	8,524.80		Assumption for this spreadsheet
EE +1	1,218.50	1,448.29	1,587.22	14,622.00	17,379.48	19,046.64		L39 and L1021 Schedule with $26,600 CAP
EE + 2 or more	1,724.18	2,175.80	2,384.52	20,690.16	26,109.60	28,614.24		savings from $26,848 cap to be used to offset
								CAP/ee share of dental costs ($248)
EMPLOYER OBLIGATION								
	Kaiser	PPO Lite	PPO Traditional	Kaiser	PPO Lite	PPO Traditional		PPO lite = Rate - $15 for single
Single	609.25	633.22	666.21	7,311.00	7,598.64	7,994.52		PPO lite = Rate - $30 for +1
EE +1	1,218.50	1,418.29	1,475.54	14,622.00	17,019.48	17,706.48		PPO lite = Rate - $45 for +2
EE + 2 or more	1,724.18	2,130.80	2,216.73	20,690.16	25,569.60	26,600.76		PPO Trad Single= Rate - EE contribution $44.19
								PPO Trad EE +1 = Rate - EE contribution $111.68
								PPO Traditional = Rate - EE contribution $167.79

The District and all three collective bargaining units also agreed upon the maximum contribution the District will pay for dental benefits. The District currently provides two dental plans, one with Delta Dental and the other with United Healthcare Dental. For all employees, the maximum District paid benefit is limited to the United Healthcare Dental family rate. For fiscal year 2014-15~~2-13~~ the rates are:

Dental Coverage for Managers & Confidentials (Except Confidentials who elected furlough)			Dental Coverage for Regular Represented Employees in Local 39, 1021, and PFT	
Single Party Coverage	Delta Dental	United Health Care Dental	Delta Dental	United Health Care Dental
Employee Pays	~~47.34~~37.85	0.00	~~0.00~~4.42	~~0.00~~4.42
Peralta Pays	~~26.95~~27.62	~~26.95~~27.62	~~74.29~~61.05	~~26.95~~23.20
Total Cost	~~74.29~~65.47	~~26.95~~27.62	~~74.29~~65.47	~~26.95~~27.62
Two- Party Coverage	Delta Dental	United Health Care Dental	Delta Dental	United Health Care Dental
Employee Pays	~~83.19~~67.11	0.00	~~0.00~~4.42	~~0.00~~4.42
Peralta Pays	~~43.11~~44.19	~~43.11~~44.19	~~126.30~~106.88	~~43.11~~39.77
Total Cost	~~126.30~~111.30	~~43.11~~44.19	~~126.30~~111.30	~~43.11~~44.19
Family Coverage	Delta Dental	United Health Care Dental	Delta Dental	United Health Care Dental
Employee Pays	~~127.48~~102.90	0.00	~~0.00~~4.42	~~0.00~~4.42
Peralta Pays	~~65.69~~67.33	~~65.69~~67.33	~~193.17~~165.81	~~65.69~~62.91

Total Cost	~~193.17~~170.23	~~65.69~~67.33	~~193.17~~170.23	~~65.69~~67.33

With the incorporation of these plan design changes, employee contributions, and the District paid cap, the annual projected savings to the District is approximately $500,000. In addition to this annual savings, the District also will realize a long-term savings (or reduction in the long-term liability) as reflected in the reduction of the actuarial determined Other-Post Employment Benefit (OPEB) liability. Prior to these changes, the District's actuarial determined OPEB liability was approximately $221 million. ~~Based upon a new commissioned study that reflects these changes, the actuarial determined liability is $XXXX~~.

Plan Structure

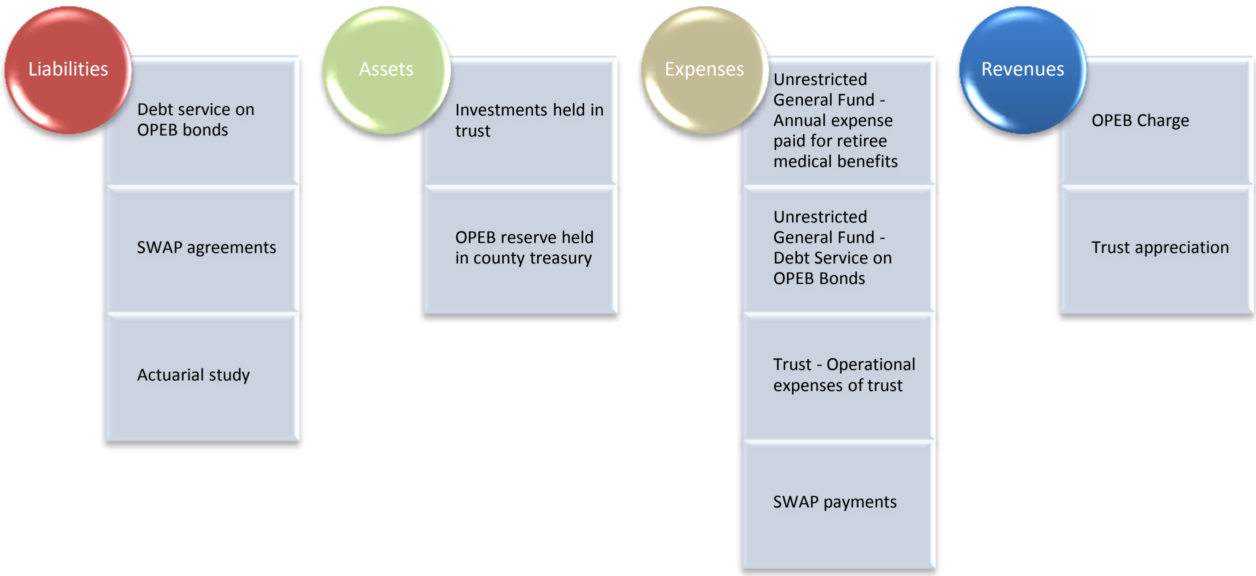
The revised OPEB plan structure consists of four basic elements. The first element is the associated liabilities. These liabilities consist of the debt service associated with the bonds sold to fund the revocable trust, the six tranches of SWAP agreements, and lastly the actuarial study projecting the actuarial accrued liability directly related to the existing OPEB obligation.

The second element is the restricted assets set aside to fund the ongoing expenses and liabilities within the OPEB program. The two assets within the program are the investments currently held in the revocable trust originating from the bond sale in 2005 and the OPEB reserve fund held in the Alameda County Treasurer's Office.

The third element is the annual expenses incurred related to the operations of the OPEB program. These expenses are a result of fulfilling the OPEB obligations to existing retirees, setting aside funds to pay for future obligations for current employees when they retire, annual debt service payments associated with the bonds (short-term portion of the liability previously discussed), operational expenses related to maintaining the trust, and periodic payments that are contractually required under the existing B-1 SWAP to Morgan Stanley (short-term portion of the total SWAP liability previously discussed).

The fourth element is the revenues that have been and will continue to be transferred into the revocable trust to fund the expenses and liabilities. These revenues include the OPEB Charge that is now being applied to all budgets that support positions eligible for OPEB, in addition to any appreciation in market value of the portfolio within the revocable trust.

The pictorial below provides an overview of the elements, sub-elements, and their relationships.



Central to the long term sustainability and funding of the OPEB Program, as outlined in the elements above, is for the revenues (OPEB Charge and Trust appreciation) to be able to support the annual expenses of the trust as well as to fund the long term liabilities, i.e. Actuarial Accrued Liability (AAL). The following sections provide a more focused explanation on the long-term sustainability of the OPEB program and the revenues identified to support the liability associated with the OPEB program.

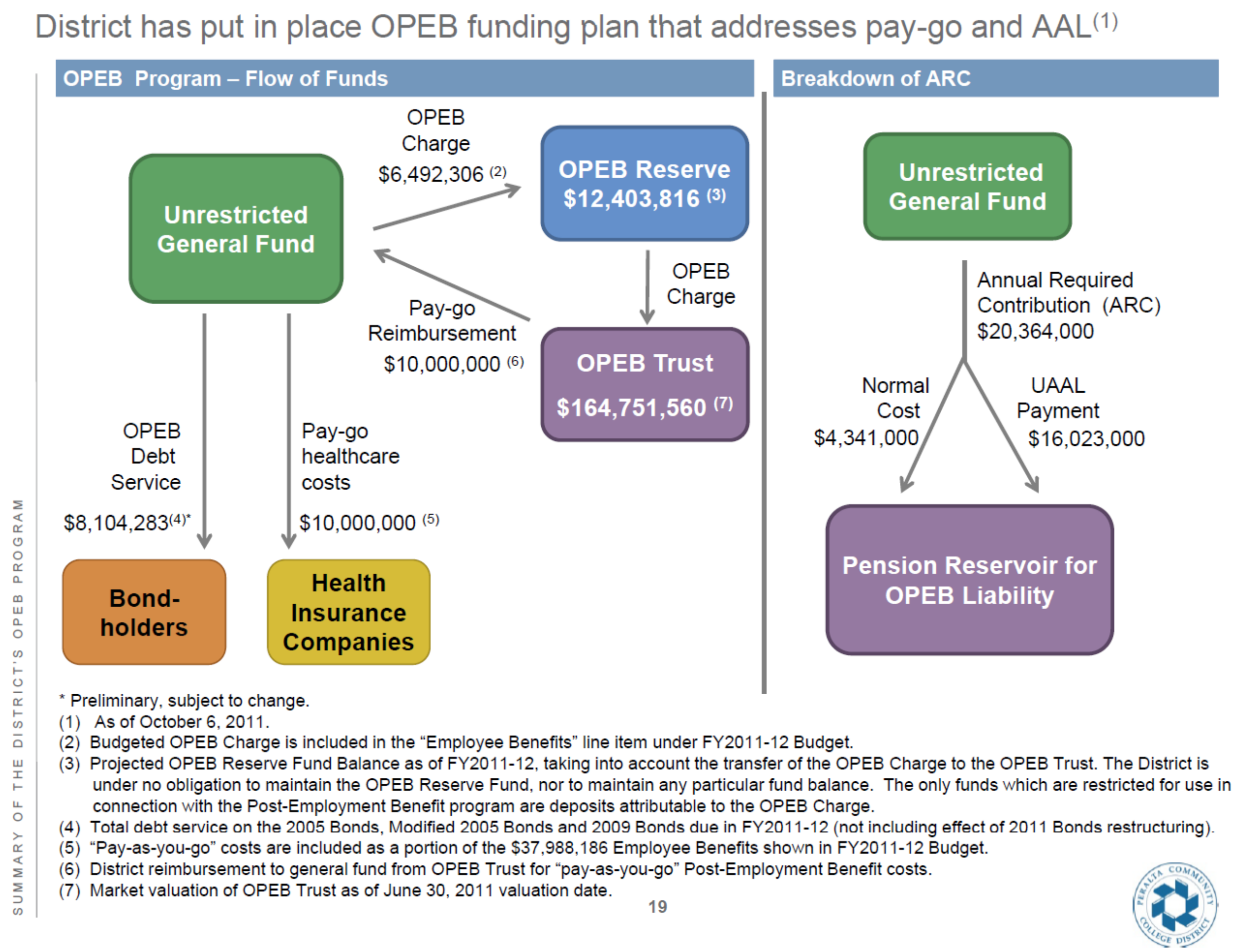
The District has appropriated additional resources to fund the gap between the OPEB Trust assets and the District's AAL. As a result of a multi-year savings plan, the estimated actual balance held in the District's OPEB Reserve Fund, as of June 30, ~~2011~~2013, exceeded $~~14~~10,000,000. Amounts deposited into an unrestricted OPEB Reserve Fund (other than amounts attributable to the OPEB Charge) are available to pay for any lawful expenditures of the District, including but not limited to SWAP Agreement termination payments, debt service on the 2005 Bonds, or Other Post-Employment Benefits. However, amounts in the OPEB Reserve Fund (other than amounts attributable to the OPEB Charge) may be withdrawn from and spent on expenses unrelated to the Other Post-Employment Benefit program without any legal obligation of the District to replenish such amounts. Although the OPEB Reserve Fund is available to pay for debt services on the bonds (except for funds attributable to the OPEB Charge), the District has budgeted, for fiscal year 2012-13, sufficient amounts from the General Fund to satisfy debt service obligations on the 2005 Bonds and related refundings.

Beginning in fiscal year 2010-11, the District implemented an OPEB Charge (See attached GASB 45 Accounting Advisory issued by the State Chancellor's Office and letter from the California Department of Education on new financial reporting requirements) to supplement funds available in the OPEB Trust to pay for Other Post-Employment Benefits. The OPEB

Charge is a uniformly applied District-paid charge to all programs and is a function of the current projected Annual Required Contribution (ARC) calculated as a percentage of payroll for all OPEB eligible active employees. Based on the then current actuarial study, the OPEB Charge was initially calculated at 12.5%, for 2014-15 fiscal year the charge is calculated to be 9.5%.

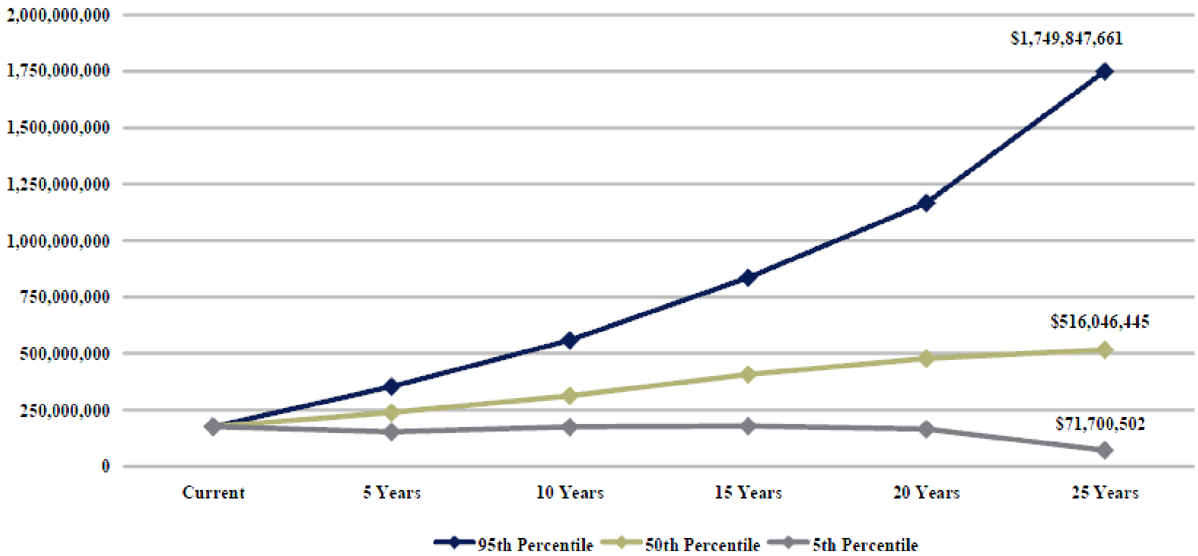
The funds, to which the OPEB Charge is applied each fiscal year will be accounted for in the OPEB Reserve Fund. At the end of each fiscal year, such amounts will be transferred to the OPEB Trust to be invested in accordance with the Investment Policy Statement, applied to satisfy the Normal Cost and the unfunded past-service liability of active employees of the District. For fiscal year 2011-12, the OPEB Charge resulted in approximately $7 million of additional deposits into the OPEB Trust. Based upon the most recent actuarial study, effective July 1, 2012, the OPEB Charge was increased from 12.9% to 14% and is expected to result in approximately $7 million in deposits to the OPEB Trust during fiscal year 2012-13. The District estimates that the OPEB Charge will, over the course of a 25-year period, result in approximately $150 million of deposits to the OPEB Trust, not including any interest earnings or appreciation through investments. Going forward, the District will continue to collect the OPEB Charge, as well as implement a long-term plan of debt management and finance for the Other Post-Employment Benefit Program, and convert(or restructure) the CARS to a viable and more affordable form of debt.

The illustration below displays the relationships between the General Fund, OPEB Reserve Fund and the OPEB Trust. The arrows and values represent the flow of funds for the fiscal year ending June 30, 2011. This illustration was also presented to bond rating agencies, as well as the accreditation commission.



The District has taken great strides over the last year to address the issues and concerns raised by the PCCD Governing Board and the ACCJC about the long-term sustainability and solvency of the OPEB Program. Two of the major achievements that will aid in the long-term sustainability of the program are the debt service restructuring that was completed on October 28, 2011 and the implementation of the OPEB Charge. As previously noted, the debt service restructuring will provide the District with budgetary relief of approximately $29 million over the next five fiscal years and the OPEB Charge has created an ongoing and dedicated revenue stream that will, over time, fund the Actuarial Accrued Liability.

In an effort to project and measure the impact of the restructuring on the long-term fiscal solvency of the District's OPEB program, Neuberger Berman, the District's Investment Managers, conducted a series of simulations with the purpose of projecting the value of the assets held within the Revocable Trust at the end of 25 years. A summary of the results are shown below.



Nominal $

	Current	5 Years	10 Years	15 Years	20 Years	25 Years
95th Percentile	$175,770,516	$353,851,171	$558,648,121	$836,310,143	$1,166,498,127	$1,749,847,661
50th Percentile	$175,770,516	$239,080,757	$313,176,165	$407,036,118	$477,961,700	$516,046,445
5th Percentile	$175,770,516	$153,337,095	$174,634,353	$179,162,671	$165,463,371	$71,700,502

Real $, Adjusted for 2.5% Expected Inflation

	Current	5 Year	10 Year	15 Year	20 Year	25 Year
95th Percentile	$175,770,516	$312,752,874	$436,415,020	$577,443,349	$711,879,912	$943,861,362
50th Percentile	$175,770,516	$211,312,552	$244,652,720	$281,044,420	$291,686,138	$278,350,596
5th Percentile	$175,770,516	$135,527,649	$136,424,077	$123,705,653	$100,977,488	$38,674,376

Assuming a 7.1% average annual return on the assets held within the trust, an annual ~~ual~~ medical expense costs increase between 6.2 and 7.2% over the next 25 years (consistent with the most recent actuarial study), and with the OPEB Charge consistently applied, the estimated current value of the assets held in the trust is $278,350,596. This is $57 million greater than the AAL of $221,198,000 as of June 30, 2011. It is anticipated that any valuation in excess of the AAL will be used to satisfy the OPEB bond debt service obligations, which is consistent with the OPEB bond indentures and the trust agreement.