ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:	Retirement Board of Authority	DATE:	02/14/2018
SUBJECT:	Public Comments	ITEM #:	2017/2018-017
		Enclosure:	No
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The public may address the Retirement Board of Authority on any matter pertaining to the Board that is not on the agenda.

RECOMMENDATION:

The Chair reserves the right to limit the time of presentations by individual or topic.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-018
Approval of Agenda		Enclosure:	Yes
		Action Item	Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

Under California Government Code Section §54950 (The Ralph M. Brown Act) the "Legislative Body" is required to post an agenda detailing each item of business to be discussed. The Authority posts the agenda in compliance with California Government Code Section §54954.2.

STATUS:

Unless items are added to the agenda according to G.C. §54954.2 (b) (1) (2) (3) the agenda is to be approved as posted.

RECOMMENDATION:

Subject to changes or corrections, the agenda is to be approved.

AGENDA

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
FEBRUARY 14, 2018
1:00 PM–3:00 PM

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
ADMINISTRATION BUILDING, ROOM A140
3041 WEST AVENUE K
LANCASTER, CA 93536
PHONE (661) 722-6300

I. CALL TO ORDER

II. ROLL CALL

RETIREMENT BOARD OF AUTHORITY (the "Board") MEMBERS:

Executive Director Business Services	Diana Keelen
Vice President Human Resources	Mark Bryant
Board of Trustees Member	Michael Adams

PROGRAM COORDINATOR:

Senior Vice President	Gail Beal
Senior Account Manager	Roslyn Washington

CONSULTANTS:

Benefit Trust Company (BTC)	Scott Rankin
Morgan Stanley (MS)	Cary Allison

OTHERS

None

III. PUBLIC COMMENTS

Information
2017/2018-017

The public may address the Retirement Board of Authority on any matter pertaining to the Agency that is not on the agenda. The Chair reserves the right to limit the time of presentations by individual or topic.

IV. APPROVAL OF AGENDA

Action
2017/2018-018

The Retirement Board of Authority retains the right to change the order in which agenda items are discussed. Subject to review by the Retirement Board of Authority the agenda is to be approved as presented. Items may be deleted or added for discussion only according to G.C. Section 54954.2.
PUBLIC COMMENTS:
BOARD CONSIDERATION

V. APPROVAL OF MINUTES

Action
2017/2018-019

The Retirement Board of Authority will review the Minutes from the previous meeting on **September 20, 2017** for any adjustments and adoption.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VI. INVESTMENTS

PORTFOLIO PERFORMANCE REVIEW

Action
2017/2018-020

Morgan Stanley (MS) will review the overall performance of the District's Public Entity Investment Trust portfolio.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

MARKET OVERVIEW

Information
2017/2018-021

Morgan Stanley (MS) will provide an overview of the actions of the global capital markets since the last Retirement Board of Authority meeting.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VII. ADMINISTRATION

DISBURSEMENT REPORT

Action
2017/2018-022

The Retirement Board of Authority members will acknowledge and ratify all reasonable expenses associated with the compliance, management and operational duties of the District's OPEB Investment Trust.
PUBLIC COMMENTS:
BOARD CONSIDERATIONS:

ACTUARIAL VALUATION STUDY UPDATE

Information
2017/2018-023

The Retirement Board of Authority (RBOA) membership will discuss District updates for the procurement of a new Actuarial Valuation Study in compliance with GASB protocols. The date of the current Actuarial Valuation Study is **October 11, 2017**.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

STATUS OF DISTRICT'S CURRENT OPEB PLAN INDEPENDENT AUDITOR'S REPORT
Action
2017/2018-024

The Independent Auditors Report provides the District's OPEB Plan with an Independent Auditor's certification of GASB accounting and financial reporting standards for OPEB expenses, OPEB liabilities, Note disclosures and Required Supplementary Information (RSI).
PUBLIC COMMENTS:
BOARD CONSIDERATION:

TRANSFER OF ASSETS INTO THE TRUST **Information**
2017/2018-025

The District's asset transfers into the Investment Trust may require a tailored funding procedure. To meet the possible tailored funding procedure, the Retirement Board of Authority (RBOA) will discuss recent transfers to the Investment Trust and provide timing and asset transfer schedules related to the District's funding strategies.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

ANNUAL REPORT TO THE GOVERNING BOARD OF TRUSTEES **Information**
2017/2018-026

The Retirement Board of Authority membership anticipates a presentation as to the status of the District's OPEB Trust to the Antelope Valley CCD Governing Board of Trustees. Schedules for the preparation of presentation materials should be identified and accepted by the RBOA.
PUBLIC COMMENTS:
BOARD CONSIDERATION:

VIII. INFORMATION

RETIREMENT BOARD OF AUTHORITY COMMENTS **Information**
2017/2018-027

Each member of the Retirement Board of Authority may report about various matters involving the Authority. There will be no Authority discussion except to ask questions, and no action will be taken unless listed on a subsequent agenda.

PROGRAM COORDINATOR/CONSULTANT COMMENTS **Information**
2017/2018-028

The Program Coordinator and Consultants will report to the Retirement Board of Authority about various matters involving the Authority. There will be no Authority discussion except to ask questions, and no action will be taken unless listed on a subsequent agenda.

IX. DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING **Information**
2017/2018-029

Board members and visitors may suggest items for consideration at the next Retirement Board of Authority meeting.

X. ADJOURNMENT

Americans with Disabilities Act: The Antelope Valley Community College District Retirement Board of Authority conforms to the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 and the federal rules and regulations adopted in implementation thereof. A request for disability-related modifications or accommodation, in order to participate in a public meeting of the Antelope Valley Community College District Retirement Board of Authority, shall be made to: Diana Keelen, Executive Director Business Services, Antelope Valley Community College District, 3041 West Avenue K, Lancaster, Ca 93536: Phone (661) 722-6300.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:	Retirement Board of Authority	DATE:	02/14/2018
SUBJECT:	Approval of Minutes	ITEM #:	2017/2018-019
		Enclosure:	Yes
		Action Item	Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

As a matter of record and in accordance with the Brown Act, minutes of each meeting are kept and recorded.

STATUS:

The Board will review the Minutes from the previous Retirement Board of Authority meeting on **September, 2017.**

RECOMMENDATION:

Subject to changes or corrections, the minutes are to be approved.

MINUTES

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING
September 20, 2017
1:00 PM–3:00 PM

I. CALL TO ORDER

1. The meeting was called to order by Diana Keelen at 1:00 PM.

II. ROLL CALL

1. **All Retirement Board of Authority (RBOA) members were present:**
   Diana Keelen, Executive Director, Business Services
   Mark Bryant, Vice President, Human Resources
   Michael Adams, Board of Trustees Member

2. **All Coordinators/Consultants were present except Gail Beal and Cary Allison:**
   Roslyn Washington, Senior Account Manager, Keenan Financial Services
   Scott Rankin, Senior Vice President, Benefit Trust Company

III. PUBLIC COMMENTS

1. There were no public comments.
2. This item is information only.

IV. APPROVAL OF AGENDA

1. Michael Adams Motioned to approve the Agenda as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board of Authority members present.

V. APPROVAL OF MINUTES

1. Michael Adams Motioned to approve the Minutes as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board of Authority members present.

VI. INVESTMENTS

1. **Portfolio Performance Review**
   a. Scott Rankin of Benefit Trust Company reviewed the performance of the Trust's accounts as of August 31, 2017.
   b. The Portfolio Value as of August 31, 2017 was **$1,288,810.64**

Time weighted return net of fees

Month to Date	Quarter to Date	Year to Date	Latest 1 Year	Annualized latest 3 Year	Annualized latest 5 Year	Annualized Inception to Date
0.21	1.83	9.25	9.25	-	-	5.26

   c. The Portfolio Value as of September 19, 2017 was **$1,686,583.00**

d. No changes have been made to date.
e. Dividends are approximately 2%.
f. Michael Adams Motioned to approve the Portfolio Performance Review as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board of Authority members present.

2. **Market Overview**
    a. Scott Rankin gave an overview of the Markets since the last RBOA meeting.
    b. Risk markets globally continued to gain in the second quarter of 2017. Led by international markets it appears we are in the midst of the most synchronous global economic upturn since 2009.
    c. Our bullish global equity outlook assumes earnings estimates will continue to move higher as the global economic recovery persists.
    d. We are watching the Federal Open Market Committee, which hiked rates for the third meeting in a row this quarter and signaled 1 further hike in 2017.
    e. For the quarter, US equities posted strong performance.
    f. The largest returns for the quarter actually came from abroad. For the one-year period ending June 30, 2017, global equities rallied with double-digit returns exceeding 20% in most regions.
    g. The bond market registered slightly positive returns during the second quarter.
    h. Morgan Stanley & Co. economists expect US real GDP will be 2.2% in 2017. They forecast global GDP growth to be 3.6% in 2017.
    i. In the second quarter, emerging markets (EM) and international developed regions both delivered positive returns.
    j. The US bond market registered positive returns during the second quarter. Interest rates decreased during the second quarter, as the yield on the 10-year US Treasury note declined to a quarter-end 2.30% from 2.38% at the end of the first quarter of 2017.
    k. This item is information only.

3. **Investment Policy Statement Review**
    a. Michael Adams Motioned to accept the Investment Policy Statement as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board members present.

VII. <u>ADMINISTRATION</u>

1. **Election of a Chair for the Retirement Board of Authority**
    a. Michael Adams nominated Diana Keelen as Chair; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board members present.

2. **Election of Vice-Chair for the Retirement Board of Authority**
    a. Michael Adams nominated Mark Bryant as Vice-Chair; Motion was seconded by Diana Keelen and was unanimously approved by all of the Retirement Board members present.

3. **Annual Reporting on the Status of the Trust**
    a. The annual report was presented by Roslyn Washington.
    b. Michael Adams Motioned to ratify the District's annual report; Motion was seconded Mark Bryant and was unanimously approved by all of the Retirement Board members present.

4. **Disbursement Report**
    a. Roslyn Washington presented a Trust disbursement report reflecting fiduciary withdrawals and fees paid to Keenan, BTC & Morgan Stanley for the period March 2017 – September 2017.
    b. Michael Adams Motioned to ratify the Disbursement Report for the period as presented; Motion was seconded by Mark Bryant and was unanimously approved by all of the Retirement Board of Authority members present.

5. **Updates to the Comprehensive Compliance Plan Including the "Substantive Plan"**
    a. Roslyn Washington addressed the RBOA and advised that the Service Rep. will work with the District to gather information to update the Substantive Plan for the fiscal year ended June 30, 2017.
    b. This item is information only.

6. **Actuarial Valuation Study Update**
    a. The latest Actuarial Study Valuation Date is June 30, 2017.
    b. Diana Keelen went over language change in Actuarial Valuation Study.
    c. Total OPEB Liability is $7.4 million. Net OPEB Liability is $6.1 million.
    d. Liability went down slightly because of new way to calculate.
    e. This item is information only.

7. **Transfer of Assets into the Trust**
    a. The RBOA acknowledged a transfer of **$387,113** recently. There will be no additional money transferred into the trust this year, but will revisit.
    b. This item is information only.

VIII. <u>INFORMATION REPORTS</u>

1. **Retirement Board of Authority Comments**
    a. No Comments.
    b. This item is information only.

2. **Program Coordinator/Consultant Comments**
    a. No comments.
    b. This item is information only.

IX. <u>DATE, TIME AND AGENDA ITEMS FOR NEXT MEETING</u>

a. February 15, 2018 1:00 PM-3:00PM
b. This item is information only.

X. <u>ADJOURNMENT</u>

a. The meeting was adjourned by Diana Keelen at 1:30 PM.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-020
Portfolio Performance Review		Enclosure:	Yes
		Action Item	Yes

Prepared by: Morgan Stanley (MS)

Requested by: Retirement Board of Authority

BACKGROUND:

As Board members of the Retirement Board of Authority you have a fiduciary responsibility as described in Government Code section 53215, et seq. As part of fulfilling your fiduciary responsibility, it is important to periodically review the District's Public Entity Investment Trust Portfolio.

STATUS:

Morgan Stanley (MS) will provide a review of the District's Public Entity Investment Trust Portfolio Performance Report.

RECOMMENDATION:

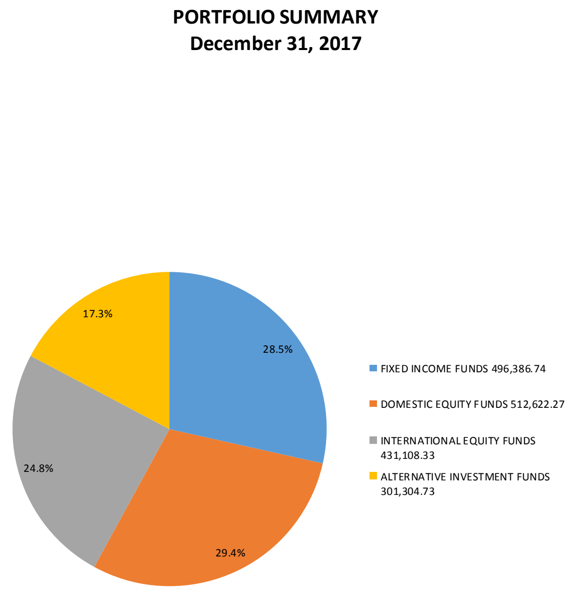
The Retirement Board of Authority should review and accept the District's Investment Trust Portfolio Performance Report and file as appropriate.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
BENEFIT TRUST COMPANY, TRUSTEE
December 31, 2017

Change In Portfolio

Portfolio Value on 12-31-16	1,179,682.87
Contributions	387,113.00
Withdrawals	0.00
Change in Market Value	127,241.51
Income Received	62,028.52
Portfolio Fees	-14,643.84
Portfolio Value on 12-31-17	1,741,422.07
	1,741,422.07

Asset Allocation



Time Weighted Return - Gross of Fees

	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Annualized Inception To Date
Account	1.03	3.08	14.88	14.88	-	-	7.43
S&P 500 TR	1.11	6.64	21.84	21.84	11.43	15.80	12.81
MSCI EAFE	1.61	4.23	25.03	25.03	7.80	7.90	6.44
MSCI ACWI Ex US Net	2.24	5.01	28.10	28.10	8.12	6.97	8.51
Barclays Aggregate	0.46	0.39	3.55	3.55	2.25	2.11	2.55
Barclays Global Agg Bd Unhedged	0.35	1.08	7.41	7.41	2.02	0.79	3.75
50% MSCI ACWI/ 50% Barclays Agg	1.04	3.04	13.52	13.52	5.94	6.55	6.47

Time Weighted Return - Net of Fees

	Month To Date	Quarter To Date	Year To Date	Latest 1 Year	Annualized Latest 3 Year	Annualized Latest 5 Year	Annualized Inception To Date
Account	0.94	2.81	13.67	13.67	-	-	6.25
S&P 500 TR	1.11	6.64	21.84	21.84	11.43	15.80	12.81
MSCI EAFE	1.61	4.23	25.03	25.03	7.80	7.90	6.44
MSCI ACWI Ex US Net	2.24	5.01	28.10	28.10	8.12	6.97	8.51
Barclays Aggregate	0.46	0.39	3.55	3.55	2.25	2.11	2.55
Barclays Global Agg Bd Unhedged	0.35	1.08	7.41	7.41	2.02	0.79	3.75
50% MSCI ACWI/ 50% Barclays Agg	1.04	3.04	13.52	13.52	5.94	6.55	6.47

PORTFOLIO APPRAISAL

December 31, 2017

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
FIXED INC MUTUAL FUNDS								
Taxable Funds								
8,402.796	BLACKROCK TOTAL RETURN FD BD FD BLKRK CL	MPHQ.X	11.81	99,218.74	11.70	98,312.71	5.6	2.9
5,346.033	GUGGENHEIM FDS TR INVT GD BD INSTL	GIUS.X	18.31	97,895.66	18.62	99,543.13	5.7	3.6
4,629.623	HARTFORD WORLD BOND Y	HWDY.X	10.38	48,035.65	10.55	48,842.52	2.8	0.2
4,682.699	LEGG MASON BW GLOBAL OPPS BD IS	GOBS.X	10.59	49,576.26	10.81	50,619.98	2.9	0.0
6,819.788	PRUDENTIAL TOTAL RETURN BD FD	PTRQ.X	14.34	97,788.50	14.60	99,568.90	5.7	2.9
8,410.777	WESTERN ASSET FDS INC	WAPS.X	11.78	99,099.88	11.83	99,499.49	5.7	4.6
				491,614.70		496,386.74	28.5	2.8
				491,614.70		496,386.74	28.5	2.8
DOMESTIC EQUITY FUNDS								
Large Cap Funds								
4,406.302	ALGER FDS II SPECTRA FD Z	ASPZ.X	18.82	82,920.32	21.05	92,752.66	5.3	0.0
3,426.746	COLUMBIA FDS SER TR I	COFY.X	23.72	81,283.67	26.28	90,054.88	5.2	0.9
2,255.603	OAKMARK SELECT INSTITUTIONAL	OANL.X	44.63	100,664.46	47.77	107,750.16	6.2	?
				264,868.45		290,557.70	16.7	0.3
Mid Cap Funds								
2,101.813	HARTFORD MIDCAP Y	HMDY.X	31.42	66,043.95	35.76	75,160.83	4.3	0.0
Small Cap Funds								
4,836.143	ALGER FDS SMALL CP FOCUS Z	AGOZ.X	12.15	58,776.29	15.56	75,250.39	4.3	0.0
1,023.327	UNDISCOVERED MANAGERS FDS BEHAVR VAL R6	UBVF.X	62.00	63,449.92	70.02	71,653.36	4.1	1.0
				122,226.21		146,903.74	8.4	0.5
				453,138.61		512,622.27	29.4	0.3
INTERNATIONAL FUNDS								
Small Cap Funds								
3,093.439	BRANDES INTERNATIONAL SMALL CAP R6	BISR.X	13.58	42,022.03	13.55	41,916.10	2.4	2.7
2,482.128	LEGG MASON PARTNERS EQUITY TR CLEARBDG IN IS	CBIS.X	15.65	38,856.25	19.13	47,483.11	2.7	1.9
				80,878.28		89,399.21	5.1	2.3
International								
1,282.938	AMERICAN FUNDS NEW PERSPECTIVE F2	ANWF.X	39.13	50,202.11	43.02	55,191.99	3.2	0.9
2,927.278	BRANDES INVT TR INT EQTY FD R6	BIER.X	15.77	46,170.34	17.88	52,339.73	3.0	3.2

PORTFOLIO APPRAISAL

December 31, 2017

Quantity	Security	Security Symbol	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
4,166.329	HARTFORD INTERNATIONAL VALUE Y	HILY.X	15.23	63,464.38	17.63	73,452.38	4.2	2.0
3,992.334	THORNBURG INVESTMENT INCOME BUILDER	TIBO.X	21.00	83,855.09	22.02	87,911.19	5.0	1.0
				243,691.92		268,895.30	15.4	1.7
Emerging Markets								
558.347	AMERICAN FUNDS NEW WORLD F-2	NFFF.X	55.90	31,209.93	66.74	37,264.08	2.1	1.0
3,649.871	BRANDES EMERGING MARKETS VALUE R6	BEMR.X	8.36	30,507.87	9.74	35,549.74	2.0	1.1
				61,717.80		72,813.82	4.2	1.0
				386,288.00		431,108.33	24.8	1.7
ALTERNATIVE INVESTMENT FUNDS								
5,359.047	COHEN & STEERS RLTY INCM NEW SHS CL Z	CSZI.X	15.43	82,666.50	15.59	83,547.54	4.8	2.7
3,685.744	GUGGENHEIM MACRO OPPORTUNITIES INSTL	GIOI.X	26.42	97,367.24	26.80	98,777.94	5.7	5.0
4,815.555	LEGG MASON BW ALT	LMAM.X	10.18	49,030.97	10.40	50,081.77	2.9	3.6
2,843.478	PRUDENTIAL GLOBAL REAL ESTATE	PGRQ.X	24.01	68,263.80	24.23	68,897.47	4.0	2.4
				297,328.52		301,304.73	17.3	3.5
TOTAL PORTFOLIO				**1,628,369.83**		**1,741,422.07**	**100.0**	**1.9**

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-021
Market Overview		Enclosure:	Yes
		Action Item	No

Prepared by: Morgan Stanley (MS)

Requested by: Retirement Board of Authority

BACKGROUND:

As Members of the Retirement Board of Authority you have a fiduciary responsibility as described in Government Code section 53215, et seq. In fulfilling your fiduciary responsibility, it is important to understand the impact of current global capital market conditions on the assets in the trust.

STATUS:

Morgan Stanley (MS) will provide an overview of current global capital market conditions.

RECOMMENDATION:

The Retirement Board of Authority shall hear and receive the information provided.

Futuris
A Keenan Solution

Portfolio Update – 4th Quarter 2017

Cary M. Allison, CIMA®
Senior Institutional Consultant
U.S. Government Entity Specialist

Morgan Stanley

MODEL PORTFOLIOS									
EQUITIES	Style	Ticker	Expenses	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
Domestic Equities									
Large Cap Domestic Equities									
Alger Spectra	Large Growth	ASPZX	0.89%	0%	1%	3%	5%	5%	7%
Columbia Contrarian Core	Large Blend	COFYX	0.66%	0%	2%	3%	4%	5%	7%
Oakmark Select	Large Value	OANLX	0.82%	0%	2%	4%	4%	6%	7%
				0%	5%	10%	13%	16%	21%
Small/Mid Cap Domestic Equities									
Hartford Midcap	Mid Growth	HMDYX	0.76%	0%	0%	1%	2%	4%	6%
Alger Small Cap Focus	Small Growth	AGOZX	1.01%	0%	1%	2%	3%	4%	5%
Undiscovered Managers Behavioral Value	Small Blend	UBVFX	0.79%	0%	1%	1%	2%	4%	5%
				0%	2%	4%	7%	12%	16%
Real Estate Investment Trusts									
Cohen & Steers Real Estate Securities	Real Estate	CSZIX	0.88%	0%	1%	2%	2%	3%	4%
Prudential Global Real Estate	Real Estate	PGRQX	0.80%	0%	0%	1%	2%	3%	3%
				0%	1%	3%	4%	6%	7%
Total Domestic Equities & REITs				0%	8%	17%	24%	34%	44%
International/Global Equities									
John Hancock International Growth	Int'l Growth	JIGTX	0.93%	0%	2%	2.0%	3%	3.5%	4%
Brandes International Small Cap	Int'l SMID	BISRX	1.00%	0%	1%	1.5%	2%	2.5%	3%
ClearBridge International Small Cap	Int'l SMID	CBISX	1.01%	0%	0%	1.5%	2%	2.5%	3%
American Funds New Perspectives Fund	Global Growth	ANWFX	0.55%	0%	1%	2%	2%	3%	4%
American Funds New World Fund	Emerging Markets	NFFFX	0.76%	0%	1%	1%	1.5%	2%	3%
Prudential Jennison Global Opportunities	Global Growth	PRJQX	0.84%	0%	0%	1%	1.5%	2%	3%
Oakmark International	Int'l Value	OANIX	0.81%	0%	1%	2%	3%	3%	3%
Hartford International Value	Int'l Value	HILYX	0.91%	0%	1%	2%	3%	4%	4%
Thornburg Investment Income Builder	Global Blend	TIBOX	0.85%	0%	1%	3%	3%	5%	5%
				0%	8%	16%	21%	28%	32%
Total Equities				*0%*	*16%*	*33%*	*45%*	*61%*	*76%*
FIXED INCOME									
BlackRock Total Return	Domestic Bond	MPHQX	0.39%	16%	14%	11%	9%	6%	4%
Guggenheim Investment Grade Bond	Domestic Bond	GIUSX	0.50%	16%	14%	11%	9%	6%	4%
Prudential Total Return Bond	Domestic Bond	PTRQX	0.46%	16%	14%	11%	9%	6%	4%
Western Asset Core Plus Bond	Domestic Bond	WAPSX	0.42%	16%	14%	11%	9%	6%	4%
Guggenheim Macro Opportunities	Domestic Bond	GIOIX	0.97%	16%	12%	11%	9%	6%	4%
Hartford World Bond	Global Bond	HWDYX	0.67%	8%	7%	4%	4%	3%	1%
Brandywine Global Opportunities Bond	Global Bond	GOBSX	0.56%	6%	5%	4%	3%	3%	1.5%
Brandywine Global Alternative Credit	Global Bond	LMAMX	1.25%	6%	4%	4%	3%	3%	1.5%
Total Bonds			*Subtotals*	*100.0%*	*84.0%*	*67.0%*	*55.0%*	*39.0%*	*24.0%*
SUMMARY									
Total Equities				0.0%	16.0%	33.0%	45.0%	61.0%	76.0%
Total Fixed Income				100.0%	84.0%	67.0%	55.0%	39.0%	24.0%
Grand Total				100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Expense Ratio				0.60%	0.60%	0.66%	0.68%	0.72%	0.74%
TARGET EQUITY & NOMINAL BENCHMARKS									
Target Equity Allocations				0%	15%	30%	45%	60%	75%
MSCI ACWI (All County World Index)				0%	15%	30%	45%	60%	75%
Barclay's Aggregate Bond				100%	85%	70%	55%	40%	25%
STATISTICS									
Target Avg Annual Return				4.50%	5.00%	6.00%	6.99%	7.69%	8.46%
Standard Deviation (Risk)				3.12%	4.26%	6.09%	7.41%	9.48%	11.89%

NOTE: The portfolios listed above are sample representations only and may be altered from time to time at the discretion of the Trustee.

Portfolio Returns

As of December 31st, 2017

Portfolio	*3 Mo*	*1-Yr*	*3-Yr*	*5-Yr*	*10-Yr*
Fixed Income	0.80%	6.31%	3.19%	2.89%	5.90%
Benchmark (Barclay's Aggregate)	*0.39%*	*3.54%*	*2.24%*	*2.10%*	*4.01%*
Conservative	1.32%	8.25%	3.91%	3.83%	5.90%
Benchmark (15% ACWI / 85% BC Agg)	*1.18%*	*6.41%*	*3.39%*	*3.46%*	*4.35%*
Moderate	1.95%	10.85%	5.10%	5.33%	6.11%
Benchmark (30% ACWI / 70% BC Agg)	*1.97%*	*9.34%*	*4.52%*	*4.82%*	*4.62%*
Moderate Growth	2.43%	12.62%	5.93%	6.40%	6.05%
Benchmark (45% ACWI / 55% BC Agg)	*2.76%*	*12.34%*	*5.63%*	*6.17%*	*4.83%*
Growth	3.03%	14.85%	6.98%	7.76%	6.04%
Benchmark (60% ACWI / 40% BC Agg)	*3.57%*	*15.42%*	*6.73%*	*7.50%*	*4.96%*
Aggressive Growth	3.69%	17.30%	8.00%	9.15%	5.86%
Benchmark (75% ACWI / 25% BC Agg)	*4.37%*	*18.58%*	*7.81%*	*8.83%*	*5.03%*

NOTE: The portfolios listed above are sample representations only and may be altered from time to time at the discretion of the trustee.

Quarter	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
Quarterly Returns						
3/31/2008	0.72%	-0.37%	-1.49%	-3.40%	-5.13%	-6.50%
6/30/2008	-1.51%	-1.76%	-1.75%	-1.47%	-1.25%	-0.97%
9/30/2008	-3.19%	-4.12%	-5.53%	-7.08%	-8.88%	-11.99%
12/31/2008	0.28%	-2.90%	-6.76%	-9.65%	-13.11%	-17.53%
3/31/2009	-0.34%	-2.21%	-4.38%	-5.50%	-7.11%	-9.17%
6/30/2009	7.63%	9.64%	12.08%	13.79%	15.91%	19.16%
9/30/2009	8.04%	9.48%	11.18%	12.23%	13.84%	15.75%
12/31/2009	2.06%	2.26%	2.60%	2.90%	3.18%	3.67%
3/31/2010	3.31%	3.59%	3.83%	3.97%	4.23%	4.46%
6/30/2010	1.74%	-0.35%	-2.38%	-3.89%	-5.73%	-7.85%
9/30/2010	4.69%	6.20%	7.61%	8.68%	9.87%	11.45%
12/31/2010	-0.30%	0.98%	2.45%	3.57%	5.03%	6.92%
3/31/2011	1.50%	1.88%	2.26%	2.58%	3.09%	3.58%
6/30/2011	2.15%	1.93%	1.61%	1.28%	0.91%	0.49%
9/30/2011	0.17%	-2.89%	-5.81%	-7.78%	-10.68%	-13.70%
12/31/2011	1.52%	2.35%	3.30%	3.98%	4.96%	6.08%
3/31/2012	2.75%	4.06%	5.37%	6.27%	7.62%	9.09%
6/30/2012	1.89%	0.57%	-0.66%	-1.62%	-2.93%	-4.29%
9/30/2012	3.75%	4.14%	4.37%	4.57%	4.92%	5.18%
12/31/2012	1.52%	1.89%	2.22%	2.39%	2.63%	2.83%
3/31/2013	0.60%	1.47%	2.55%	3.32%	4.37%	5.57%
6/30/2013	-2.99%	-2.48%	-1.80%	-1.36%	-0.74%	-0.09%
9/30/2013	0.94%	1.64%	2.58%	3.30%	4.29%	5.24%
12/31/2013	0.94%	1.90%	2.85%	3.43%	4.36%	5.33%
3/31/2014	2.14%	2.04%	1.97%	2.05%	1.89%	1.85%
6/30/2014	2.52%	2.87%	3.30%	3.65%	4.02%	4.37%
9/30/2014	-0.04%	-0.60%	-1.11%	-1.56%	-2.17%	-2.61%
12/31/2014	0.83%	0.59%	0.91%	1.18%	1.50%	1.61%
3/31/2015	1.54%	1.63%	1.89%	2.15%	2.37%	2.48%
6/30/2015	-1.70%	-1.40%	-1.03%	-0.87%	-0.60%	-0.30%
9/30/2015	-0.38%	-1.97%	-3.16%	-3.99%	-5.19%	-6.33%
12/31/2015	-0.42%	0.57%	1.53%	2.06%	2.89%	3.74%
3/31/2016	2.62%	2.10%	1.76%	1.64%	1.36%	1.05%
6/30/2016	2.26%	1.92%	1.75%	1.68%	1.54%	1.42%
9/30/2016	1.27%	2.05%	2.89%	3.48%	4.27%	5.05%
12/31/2016	-1.78%	-1.20%	-0.85%	-0.55%	0.08%	0.47%
3/31/2017	1.95%	2.52%	3.32%	3.85%	4.41%	5.12%
6/30/2017	2.05%	2.35%	2.73%	3.00%	3.32%	3.67%
9/30/2017	1.37%	1.82%	2.44%	2.79%	3.33%	3.81%
12/31/2017	0.80%	1.32%	1.95%	2.43%	3.03%	3.69%

Quarter	Fixed Income	Conservative	Moderate	Moderate Growth	Growth	Aggressive Growth
Annualized Rolling Returns (per year)						
1 Year	6.31%	8.25%	10.85%	12.62%	14.85%	17.30%
2 Years	5.34%	6.57%	8.21%	9.44%	11.06%	12.64%
3 Years	3.19%	3.91%	5.10%	5.93%	6.98%	8.00%
4 Years	3.77%	4.17%	5.10%	5.78%	6.54%	7.29%
5 Years	2.89%	3.83%	5.33%	6.40%	7.76%	9.15%
6 Years	4.08%	5.00%	6.36%	7.30%	8.53%	9.77%
7 Years	4.28%	4.74%	5.59%	6.17%	6.89%	7.58%
8 Years	4.94%	5.47%	6.34%	6.94%	7.68%	8.44%
9 Years	6.34%	7.00%	8.00%	8.73%	9.62%	10.64%
10 Years	5.90%	5.90%	6.11%	6.05%	6.04%	5.86%
Annual Returns						
2008	-3.70%	-8.88%	-14.75%	-20.09%	-25.83%	-32.79%
2009	18.28%	20.03%	22.25%	24.18%	26.47%	29.88%
2010	9.71%	10.70%	11.74%	12.48%	13.39%	14.71%
2011	5.44%	3.21%	1.10%	-0.38%	-2.47%	-4.71%
2012	10.27%	11.05%	11.67%	11.94%	12.49%	12.93%
2013	-0.56%	2.49%	6.25%	8.89%	12.75%	16.92%
2014	5.54%	4.95%	5.11%	5.35%	5.24%	5.19%
2015	-0.98%	-1.21%	-0.85%	-0.78%	-0.74%	-0.72%
2016	4.38%	4.92%	5.63%	6.36%	7.40%	8.17%
2017	6.31%	8.25%	10.85%	12.62%	14.85%	17.30%
Statistics						
Worst Quarter	-3.19%	-4.12%	-6.76%	-9.65%	-13.11%	-17.53%
Average Quarter	1.32%	1.33%	1.37%	1.38%	1.40%	1.43%
Best Quarter	8.04%	9.64%	12.08%	13.79%	15.91%	19.16%
Worst 1-Year Period	-4.71%	-10.56%	-17.25%	-21.83%	-27.37%	-34.71%
Average 1-Year Period	5.80%	5.93%	6.31%	6.54%	6.89%	7.25%
Best 1-Year Period	22.61%	27.15%	32.75%	36.63%	41.91%	49.37%
Worst 3-Year Rolling Period	1.30%	2.09%	3.29%	3.73%	2.12%	0.04%
Average 3-Year Rolling Period	6.12%	6.42%	7.04%	7.44%	7.95%	8.50%
Best 3-Year Rolling Period	13.68%	15.32%	17.40%	18.83%	20.68%	23.50%
Worst 5-Year Rolling Period	3.06%	4.14%	4.88%	4.89%	3.34%	1.55%
Average 5-Year Rolling Period	6.28%	6.77%	7.65%	8.24%	9.01%	9.87%
Best 5-Year Rolling Period	10.75%	12.57%	14.95%	16.63%	18.91%	22.03%

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:	DATE: 02/14/2018
Retirement Board of Authority	

SUBJECT:	ITEM #: 2017/2018-022
Disbursement Report	Enclosure: Yes
	Action Item: Yes

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The District's OPEB Investment Trust is able to pay for all expenses relating to the reimbursement of Retiree Benefits for eligible participants and the reasonable fees associated with the compliance, management and operational duties of the Trust.

STATUS:

The Retirement Board of Authority (RBOA) members shall ratify all reasonable expenses associated with compliance, management and operational duties of the District's OPEB Trust since the last RBOA meeting.

RECOMMENDATION:

The Retirement Board of Authority should ratify the payment of reasonable fees expenses as profiled.

Antelope Valley CCD Disbursements

09/01/2017-01/22/2018

	DISBURSEMENT TRANSACTIONS	
09/15/2017	MONTHLY FEE TO BENEFIT TRUST COMPANY AUGUST 2017	($277.30)
09/15/2017	MONTHLY FEE TO KEENAN AND ASSOCIATES AUGUST 2017	($701.45)
09/15/2017	MONTHLY FEE TO MORGAN STANLEY AUGUST 2017	($187.95)
10/18/2017	MONTHLY FEE TO BENEFIT TRUST COMPANY SEPTEMBER 2017	($344.80)
10/18/2017	MONTHLY FEE TO MORGAN STANLEY SEPTEMBER 2017	($247.01)
10/18/2017	MONTHLY FEE TO KEENAN AND ASSOCIATES SEPTEMBER 2017	($890.43)
11/09/2017	MONTHLY FEE TO BENEFIT TRUST COMPANY OCTOBER 2017	($346.89)
11/09/2017	MONTHLY FEE TO KEENAN AND ASSOCIATES OCTOBER 2017	($896.28)
11/09/2017	MONTHLY FEE TO MORGAN STANLEY OCTOBER 2017	($248.84)
12/13/2017	MONTHLY FEE TO BENEFIT TRUST COMPANY NOVEMBER 2017	($350.04)
12/13/2017	MONTHLY FEE TO KEENAN AND ASSOCIATES NOVEMBER 2017	($905.10)
12/13/2017	MONTHLY FEE TO MORGAN STANLEY NOVEMBER 2017	($251.60)
01/12/2018	MONTHLY FEE TO BENEFIT TRUST COMPANY DECEMBER 2017	($352.74)
01/12/2018	MONTHLY FEE TO KEENAN AND ASSOCIATES DECEMBER 2017	($912.66)
01/12/2018	MONTHLY FEE TO MORGAN STANLEY DECEMBER 2017	($253.96)
	TOTAL FOR DISBURSEMENT	**($7,167.05)**

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:	DATE: 02/14/2018
Retirement Board of Authority	

SUBJECT:	ITEM #: 2017/2018-023
Actuarial Valuation Study Update	Enclosure: Yes
	Action Item: No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

Paragraph 12, of GASB Statement 45, states that an Actuarial Valuation Study should be performed at least biannually. The Retirement Board of Authority should discuss the need for obtaining an updated study.

STATUS:

The District's most recent Actuarial Valuation Study has an effective date of **October 11, 2017**. The Retirement Board of Authority shall review the status of updates to the Actuarial Valuation Study and consider anticipated implications from GASB's recently issued Standards.

RECOMMENDATION:

The Retirement Board of Authority shall hear and receive the information presented.

Antelope Valley College
Actuarial Study of
Retiree Health Liabilities Under GASB 74/75
Valuation Date: June 30, 2017
Measurement Date: June 30, 2017

Prepared by:
Total Compensation Systems, Inc.

Date: October 11, 2017

Table of Contents

Antelope Valley College
Actuarial Study of Retiree Health Liabilities

PART I: EXECUTIVE SUMMARY

A. Introduction

Antelope Valley College engaged Total Compensation Systems, Inc. (TCS) to analyze liabilities associated with its current retiree health program as of June 30, 2017 (the measurement date). The numbers in this report are based on the assumption that they will first be used to determine accounting entries for the fiscal year ending June 30, 2017. If the report will first be used for a different fiscal year, the numbers may need to be adjusted accordingly.

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

This actuarial study is intended to serve the following purposes:

- To provide information to enable Antelope Valley CCD to manage the costs and liabilities associated with its retiree health benefits.
- To provide information to enable Antelope Valley CCD to communicate the financial implications of retiree health benefits to internal financial staff, the Board, employee groups and other affected parties.
- To provide information needed to comply with Governmental Accounting Standards Board Accounting Standards 74 and 75 related to "other postemployment benefits" (OPEB's).

Because this report was prepared in compliance with GASB 74 and 75, Antelope Valley CCD should not use this report for any other purpose without discussion with TCS. This means that any discussions with employee groups, governing Boards, etc. should be restricted to the implications of GASB 74 and 75 compliance.

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

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

- the total liability created. (The actuarial present value of projected benefits or APVPBP)
- ten years of projected benefit payments.
- the "total OPEB liability (TOL)." (The TOL is the portion of the APVPBP attributable to employees' service prior to the measurement date.)

- the "net OPEB liability" (NOL). For plans funded through a trust, this represents the unfunded portion of the liability.

- the service cost (SC). This is the value of OPEB benefits earned for one year of service.

- deferred inflows and outflows of resources attributable to the OPEB plan.

- "OPEB expense." This is the amount recognized in accrual basis financial statements as the current period expense. The OPEB expense includes service cost, interest and certain changes in the OPEB liability, adjusted to reflect deferred inflows and outflows. This amount may need to be adjusted to reflect any contributions received after the Measurement Date.

- Amounts to support financial statement Note Disclosures and Required Supplementary Information (RSI) schedules.

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

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

B. General Findings

We estimate the "pay-as-you-go" cost of providing retiree health benefits in the year beginning July 1, 2017 to be $519,493 (see Section IV.A.). The "pay-as-you-go" cost is the cost of benefits for current retirees.

For current employees, the value of benefits "accrued" in the year beginning July 1, 2017 (the service cost) is $616,440. This service cost would increase each year based on covered payroll. Had Antelope Valley CCD begun accruing retiree health benefits when each current employee and retiree was hired, a substantial liability would have accumulated. We estimate the amount that would have accumulated to be $7,405,289. This amount is called the "Total OPEB Liability" (TOL). Antelope Valley CCD has set aside funds to cover retiree health liabilities in a GASB 75 qualifying trust. The Fiduciary Net Position of this trust at June 30, 2017 was $1,265,662. This leaves a Net OPEB Liability (NOL) Of $6,139,627.

Based on the information we were provided, the OPEB Expense for the fiscal year ending June 30, 2017 is $933,697. As noted in this report adjustments may be needed – particularly if the reporting date is not the same as the measurement date.

We based all of the above estimates on employees as of April, 2017. Over time, liabilities and cash flow will vary based on the number and demographic characteristics of employees and retirees.

C. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

	Faculty	Classified	Management
Benefit types provided	Medical, dental, vision and life	Medical, dental, vision and life	Medical, dental, vision and life
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	10 years*	10 years
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
College Contribution %	100%	100%	100%
College Cap	Active cap	Active cap	Active cap

*8 years with the District, last five in regular employment

D. Recommendations

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

- We recommend that Antelope Valley CCD maintain an inventory all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Antelope Valley CCD should determine whether the benefit is material and subject to GASB 74 and/or 75.

- We recommend that Antelope Valley CCD conduct a study whenever events or contemplated actions significantly affect present or future liabilities, but no less frequently than every two years, as required under GASB 74/75.

- Under GASB 75, it is important to isolate the cost of retiree health benefits. Antelope Valley CCD should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – ***even on a retiree-pay-all basis*** – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Antelope Valley CCD should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.

- Antelope Valley CCD should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

- Several assumptions were made in estimating costs and liabilities under Antelope Valley

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

Respectfully submitted,

Geoffrey L. Kischuk, FSA, MAAA, FCA
Consultant
Total Compensation Systems, Inc.
(805) 496-1700

PART II: BACKGROUND

A. Summary

Accounting principles provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an "implicit rate subsidy"),

B. Actuarial Accrual

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

The actuarial cost method mandated by GASB 75 is the "entry age actuarial cost method". Under this method, there are two components of actuarial cost – a "service cost" (SC) and the "Total OPEB Liability" (TOL). GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. Under the entry age actuarial cost method, the actuary determines the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. This amount is the service cost. Under GASB 75, the service cost is calculated to be a level percentage of each employee's projected pay.

The service cost is determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.

- The ***"trend" rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A "cap" on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.

- ***Mortality rates*** varying by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.

- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- ***Retirement rates*** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.

- ***Participation rates*** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.

- The ***discount rate*** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that would have accumulated is called the Total OPEB Liability (TOL). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

The total OPEB liability (TOL) can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses can be deferred five years

- Experience gains and losses can be deferred over the expected average remaining service lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.

- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working lifetime

- Liability changes resulting from plan changes, for example, cannot be deferred.

PART III: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

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

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

B. Liability for Retiree Benefits.

For each employee, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Antelope Valley CCD uses contribution caps, the influence of the trend factor is further reduced. We multiplied each year's benefit payments by the probability that benefits will be paid; i.e. based on the probability that the employee is living, has not terminated employment, has retired and remains eligible. The probability that benefit will be paid is zero if the employee is not eligible. The employee is not eligible if s/he has not met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's benefit payments and the probability the benefit will be paid equals the expected cost for that year. We discounted the expected cost for each year to the measurement date June 30, 2017 at 6.5% interest. Finally, we multiplied the above discounted expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan.

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

We added the APVPBP for all employees to get the actuarial present value of total projected benefits (APVPBP). The APVPBP is the estimated present value of all future retiree health benefits for all **current** employees and retirees. The APVPBP is the amount on June 30, 2017 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last current employee or retiree dies or reaches the maximum eligibility age.

Actuarial Present Value of Projected Benefit Payments at June 30, 2017

	Total	*Certificated Management*	*Certificated*	*Classified*	*Classified Management*
Active: Pre-65	$10,175,519	$307,145	$4,180,190	$4,751,229	$936,955
Post-65	$0	$0	$0	$0	$0
Subtotal	$10,175,519	$307,145	$4,180,190	$4,751,229	$936,955
Retiree: Pre-65	$1,386,183	$71,253	$240,979	$681,188	$392,763
Post-65	$0	$0	$0	$0	$0
Subtotal	$1,386,183	$71,253	$240,979	$681,188	$392,763
Grand Total	$11,561,702	$378,398	$4,421,169	$5,432,417	$1,329,718
Subtotal Pre-65	$11,561,702	$378,398	$4,421,169	$5,432,417	$1,329,718
Subtotal Post-65	$0	$0	$0	$0	$0

The APVPBP should be accrued over the working lifetime of employees. At any time much of it has not been "earned" by employees. The APVPBP is used to develop expense and liability figures. To do so, the APVPBP is divided into two parts: the portions attributable to service rendered prior to the measurement date (the past service liability or Total OPEB Liability (TOL) under GASB 74 and 75) and to service after the measurement date but prior to retirement (the future service liability).

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

C. Cost to Prefund Retiree Benefits

1. Service Cost

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

Service Cost Year Beginning June 30, 2017

	Total	*Certificated Management*	*Certificated*	*Classified*	*Classified Management*
# of Employees	397	16	141	206	34
Per Capita Service Cost					
Pre-65 Benefit	N/A	$1,482	$1,740	$1,399	$1,741
Post-65 Benefit	N/A	$0	$0	$0	$0
First Year Service Cost					
Pre-65 Benefit	$616,440	$23,712	$245,340	$288,194	$59,194
Post-65 Benefit	$0	$0	$0	$0	$0
Total	$616,440	$23,712	$245,340	$288,194	$59,194

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

2. Total OPEB Liability (TOL) and Net OPEB Liability (NOL)

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability (TOL). We calculated the TOL as the APVPBP minus the present value of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables.

Total OPEB Liability (TOL) and Net OPEB Liability (NOL) as of June 30, 2017

	Total	*Certificated Management*	*Certificated*	*Classified*	*Classified Management*
Active: Pre-65	$6,019,106	$184,956	$2,682,713	$2,657,766	$493,671
Active: Post-65	$0	$0	$0	$0	$0
Subtotal	$6,019,106	$184,956	$2,682,713	$2,657,766	$493,671
Retiree: Pre-65	$1,386,183	$71,253	$240,979	$681,188	$392,763
Retiree: Post-65	$0	$0	$0	$0	$0
Subtotal	$1,386,183	$71,253	$240,979	$681,188	$392,763
Subtotal: Pre-65	$7,405,289	$256,209	$2,923,692	$3,338,954	$886,434
Subtotal: Post-65	$0	$0	$0	$0	$0
Total OPEB Liability (TOL)	$7,405,289	$256,209	$2,923,692	$3,338,954	$886,434
Fiduciary Net Position as of June 30, 2017	$1,265,662				
Net OPEB Liability (NOL)	$6,139,627				

Because Antelope Valley CCD concluded that it would be too expensive and time-consuming to rerun prior valuations under GASB 75, we invoked Paragraph 244 of GASB 75 for the transition. Consequently, in order to determine the beginning NOL, we used a "roll-back" technique. The following table shows the results of the roll-back. Antelope Valley CCD should restate its June 30, 2016 NOL accordingly.

Changes in Net OPEB Liability as of June 30, 2017

	TOL	*FNP*	*NOL*
Roll back balance at June 30, 2016	$6,856,461	$763,905	$6,092,556
Service Cost	$599,942	$0	$599,942
Interest on TOL	$448,398	$0	$448,398
Employer Contributions	$0	$886,626	($886,626)
Employee Contributions	$0	$0	$0
Actual Investment Income	$0	$125,965	($125,965)
Administrative Expense	$0	($11,322)	$11,322
Benefit Payments	($499,512)	($499,512)	$0
Other	$0	$0	$0
Net Change during 2016-17	$548,828	$501,757	$47,071
Balance at June 30, 2017 *	$7,405,289	$1,265,662	$6,139,627

***** May include a slight rounding error.

3. OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, change in TOL due to plan changes; all adjusted for deferred inflows and outflows. Antelope Valley CCD determined that it was not reasonable to rerun prior valuations under GASB 75. Therefore, we used the transition approach provided in GASB 75, Paragraph 244. That means that there are no deferred inflows/outflows in the first year (with the possible exception of contributions after the measurement date).The OPEB expense shown below is considered to be preliminary because there can be employer specific deferred items (e.g., contributions made after the measurement date, and active employee contributions toward the OPEB plan).

OPEB Expense Fiscal Year Ending June 30, 2017

	Total
Service Cost	$599,942
Interest on Total OPEB Liability (TOL)	$448,398
Employee Contributions	$0
Recognized Actuarial Gains/Losses	$0
Recognized Assumption Changes	$0
Actual Investment Income	($125,965)
Recognized Investment Gains/Losses	$0
Contributions After Measurement Date*	$0
Liability Change Due to Benefit Changes	$0
Administrative Expense	$11,322
OPEB Expense**	$933,697

***** Should be added by Antelope Valley CCD if reporting date is after the measurement date.
****** May include a slight rounding error.

The above OPEB expense does not include an estimated $886,626 in employer contributions.

4. Deferred Inflows and Outflows

Certain types of TOL changes are subject to deferral, as are investment gains/losses. To qualify for deferral, gains and losses must be based on GASB 74/75 compliant valuations. Since the District's prior valuation was performed in accordance with GASB 43/45, it is not possible to calculate compliant gains and losses. (Please see Appendix E, Paragraph 244 for more information.) Therefore, valuation-based deferred items will not begin until the next valuation. However, there could be employer-specific deferred items that need to be reflected, as mentioned earlier.

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

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay, including any implicit rate subsidy. Because these cost estimates reflect average assumptions applied to a relatively small number of employees, estimates for individual years are **certain** to be ***in***accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs, including any implicit rate subsidy.

Year Beginning July 1	*Total*	*Certificated Management*	*Certificated*	*Classified*	*Classified Management*
2017	$519,493	$20,506	$157,608	$217,729	$123,650
2018	$522,867	$26,545	$170,619	$224,975	$100,728
2019	$564,072	$37,471	$206,028	$255,240	$65,333
2020	$727,566	$47,855	$272,537	$324,995	$82,179
2021	$806,343	$43,192	$325,758	$354,037	$83,356
2022	$788,453	$28,546	$288,643	$380,698	$90,566
2023	$853,961	$27,604	$293,411	$415,715	$117,231
2024	$809,656	$23,507	$290,740	$384,489	$110,920
2025	$853,093	$14,268	$328,944	$386,206	$123,675
2026	$881,984	$24,249	$363,809	$379,586	$114,340

PART V: RECOMMENDATIONS FOR FUTURE VALUATIONS

To effectively manage benefit costs, an employer must periodically examine the existing liability for retiree benefits as well as future annual expected premium costs. GASB 74/75 require biennial valuations. In addition, a valuation should be conducted whenever plan changes, changes in actuarial assumptions or other employer actions are likely to cause a material change in accrual costs and/or liabilities.

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

- An employer should perform a valuation whenever the employer considers or puts in place an early retirement incentive program.
- An employer should perform a valuation whenever the employer adopts a retiree benefit plan for some or all employees.
- An employer should perform a valuation whenever the employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- An employer should perform a valuation whenever the employer introduces or changes retiree contributions.
- An employer should perform a valuation whenever the employer forms a qualifying trust or changes its investment policy.
- An employer should perform a valuation whenever the employer adds or terminates a group of participants that constitutes a significant part of the covered group.

We recommend Antelope Valley CCD take the following actions to ease future valuations.

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

PART VI: APPENDICES

APPENDIX A: MATERIALS USED FOR THIS STUDY

We relied on the following materials to complete this study.

- We used paper reports and digital files containing employee demographic data from the District personnel records.

- We used relevant sections of collective bargaining agreements provided by the District.

APPENDIX B: EFFECT OF ASSUMPTIONS USED IN CALCULATIONS

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

APPENDIX C: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Antelope Valley CCD to understand that the appropriateness of all selected actuarial assumptions and methods are Antelope Valley CCD's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, Antelope Valley CCD's actual historical experience, and TCS's judgment based on experience and training.

ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74/75 require use of the entry age actuarial cost method.

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

To the extent that different benefit formulas apply to different employees of the same class, the service cost is based on the benefit plan applicable to the most recently hired employees (including future hires if a new benefit formula has been agreed to and communicated to employees). This greatly simplifies administration and accounting; as well as resulting in the correct service cost for new hires.

SUBSTANTIVE PLAN: As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Antelope Valley CCD regarding practices with respect to employer and employee contributions and other relevant factors.

ECONOMIC ASSUMPTIONS:

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

INFLATION: We assumed 2.75% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 6.5% per year. This is based on assumed long-term return on plan assets assuming 100% funding through Futuris. We used the "Building Block Method". (See Appendix E, Paragraph 53 for more information).

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

PAYROLL INCREASE: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error.

FIDUCIARY NET POSITION (FNP): The following table shows the beginning and ending FNP numbers that were provided by Antelope Valley CCD.

Fiduciary Net Position as of June 30, 2017

	06/30/2016	***06/30/2017***
Cash and Equivalents	$0	$0
Contributions Receivable	$0	$0
Total Investments	$763,906	$1,265,662
Capital Assets	$0	$0
Total Assets	$763,906	$1,265,662
Benefits Payable	$0	$0
Fiduciary Net Position	$763,906	$1,265,662

NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix E, Paragraph 52 for more information.

MORTALITY

Employee Type	*Mortality Tables*
Certificated	2009 CalSTRS Mortality
Classified	2014 CalPERS Active Mortality for Miscellaneous Employees

RETIREMENT RATES

Employee Type	*Retirement Rate Tables*
Certificated	2009 CalSTRS Retirement Rates
Classified	Hired < 1/1/13: 2009 CalPERS Retirement Rates for School Employees Hired after 12/31/2012: 2009 CalPERS Retirement Rates for Miscellaneous Employees 2%@60 adjusted to minimum retirement age of 52

SERVICE REQUIREMENT

Employee Type	*Service Requirement Tables*
Certificated Management	100% at 10 Years of Service
Certificated	100% at 8 Years of Service
Classified	100% at 8 Years of Service
Classified Management	100% at 10 Years of Service

COSTS FOR RETIREE COVERAGE

Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 11.4% of non-Medicare medical premium. Liabilities for active participants are based on the first year costs shown below, which include the implicit rate subsidy. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

Employee Type	*Future Retirees Pre-65*	*Future Retirees Post-65*
Certificated	$14,670	
Certificated Management	$14,975	
Classified	$14,332	
Classified Management	$14,975	

PARTICIPATION RATES

Employee Type	*<65 Non-Medicare Participation %*	*65+ Medicare Participation %*
Certificated	100%	
Classified	100%	

TURNOVER

Employee Type	*Turnover Rate Tables*
Certificated	2009 CalSTRS Termination Rates
Classified	2009 CalPERS Termination Rates for School Employees

SPOUSE PREVALENCE

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

SPOUSE AGES

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

APPENDIX D: DISTRIBUTION OF ELIGIBLE PARTICIPANTS BY AGE

ELIGIBLE ACTIVE EMPLOYEES

Age	*Total*	*Certificated Management*	*Certificated*	*Classified*	*Classified Management*
Under 25	2	0	0	2	0
25-29	16	0	1	13	2
30-34	24	0	3	19	2
35-39	52	1	11	37	3
40-44	51	1	19	29	2
45-49	59	3	23	23	10
50-54	61	3	25	24	9
55-59	85	7	33	40	5
60-64	47	1	26	19	1
65 and older	0	0	0	0	0
Total	397	16	141	206	34

ELIGIBLE RETIREES

Age	*Total*	*Certificated Management*	*Certificated*	*Classified*	*Classified Management*
Under 50	0	0	0	0	0
50-54	0	0	0	0	0
55-59	10	1	2	5	2
60-64	23	1	6	8	8
65-69	0	0	0	0	0
70-74	0	0	0	0	0
75-79	0	0	0	0	0
80-84	0	0	0	0	0
85-89	0	0	0	0	0
90 and older	0	0	0	0	0
Total	33	2	8	13	10

APPENDIX E: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

Paragraph 50: **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by Antelope Valley CCD. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

	Number of Participants
Inactive Employees Receiving Benefits	33
Inactive Employees Entitled to But Not Receiving Benefits*	0
Participating Active Employees	397
Total Number of participants	430

*We were not provided with information about any terminated, vested employees

Paragraph 51: **Significant Assumptions and Other Inputs**

shown in Appendix C.

Paragraph 52: **Information Related to Assumptions and Other Inputs**

The following information is intended to assist Antelope Valley CCD in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Mortality Table	2009 CalSTRS Mortality
Disclosure	The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Mortality Table	2014 CalPERS Retiree Mortality for Miscellaneous Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.
Mortality Table	2014 CalPERS Active Mortality for Miscellaneous Employees
Disclosure	The mortality assumptions are based on the 2014 CalPERS Active Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

Retirement Table	2009 CalSTRS Retirement Rates
Disclosure	The retirement assumptions are based on the 2009 CalSTRS Retirement Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2009 CalPERS 2.0%@60 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2009 CalPERS Retirement Rates for School Employees
Disclosure	The retirement assumptions are based on the 2009 CalPERS Retirement Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover T

Turnover Table	2009 CalPERS Termination Rates for School Employees
Disclosure	The turnover assumptions are based on the 2009 CalPERS Termination Rates for School Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

ables

Turnover Table	2009 CalSTRS Termination Rates
Disclosure	The turnover assumptions are based on the 2009 CalSTRS Termination Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL Using alternative trend assumptions The following table shows the Net OPEB Liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation.

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	$4,939,939	$6,139,627	$7,540,843

Paragraph 53: **Discount Rate**

The following information is intended to assist Antelope Valley CCD to comply with Paragraph 53 requirements.

53.a: A discount rate of 6.5% was used in the valuation.

53.b: We assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

53.c: We used historic 30 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d and 53.e.: Not applicable.

53.f: Following is the assumed asset allocation and assumed rate of return for each.

Futuris - Portfolio 7

Asset Class	Percentage of Portfolio	Assumed Gross Return
US Large Cap	40.0000	7.7950
US Small Cap	20.0000	7.7950
Long-Term Corporate Bonds	20.0000	5.2950
Long-Term Corporate Bonds	10.0000	5.2950
Short-Term Gov't Fixed	10.0000	3.2500

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

53.g The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	$6,593,034	$6,139,627	$5,728,327

Paragraph 55: **Changes in the Net OPEB Liability**

Please see reconciliation on page 11. Please see the notes for Paragraph 244 below for more information.

Paragraph 56: **Additional Net OPEB Liability Information**

The following information is intended to assist Antelope Valley CCD to comply with Paragraph 56 requirements.

56.a: The valuation date is June 30, 2017.
The measurement date is June 30, 2017.
56 b; 56 c; 56.d; 56.e; 56.f: Not applicable
56.g: To be determined by the employer
56.h.(1) through (4): Not applicable
56.h.(5): To be determined by the employer
56.i: Not applicable

Paragraph 57: **Required Supplementary Information**

57.a: Please see reconciliation on page 11. Please see the notes for Paragraph 244 below for more information.
57.b: These items are provided on page 11 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.
57.c: We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.
57.d: We are not aware that there are any statutorily or contractually established

contribution requirements.

Paragraph 58: **Actuarially Determined Contributions**

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 30 years.

Paragraph 244: **Transition Option**

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

APPENDIX F: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

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

Actuarial Cost Method: A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method.

Actuarial Present Value of Projected Benefit Payments: The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date.

Deferred Inflows/Outflows of Resources: A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date.

Discount Rate: Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability.

Fiduciary Net Position: Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement).

Implicit Rate Subsidy: The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits.

Measurement Date: The date at which assets and liabilities are determined in order to estimate TOL and NOL.

Mortality Rate: Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.

Net OPEB Liability (NOL): The Total OPEB Liability minus the Fiduciary Net Position.

OPEB Benefits: Other Post Employment Benefits. Generally medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.

OPEB Expense: This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability TOL) plus change in TOL due to plan changes minus projected investment income; all adjusted to reflect deferred inflows and outflows of resources.

Participation Rate: The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions.

Retirement Rate: The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.

Service Cost: The annual dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.

Service Requirement: The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL.

Total OPEB Liability (TOL): The amount of the actuarial present value of projected benefit payments attributable to employees' past service based on the actuarial cost method used.

Trend Rate: The rate at which the employer's share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL.

Turnover Rate: The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL.

Valuation Date: The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can't be more than 30 months prior.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/18/2016
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-024
Status of the District's Current OPEB Trust Independent Auditor's Report		Enclosure:	Yes
		Action Item	Yes

Prepared by: Crowe Horwath, LLP

Requested by: Retirement Board of Authority

BACKGROUND:

The Independent Auditors Report provides the District's OPEB Trust with an independent third-party compliance certification relative to GASB accounting standards, financial reporting for OPEB expenses, OPEB liabilities, Note disclosures and Required Supplemental Information (RSI).

STATUS:

The Retirement Board of Authority will review and discuss the status of the current Independent Auditor's certification relative to the District's OPEB Trust compliance with GASB 74/75 protocols and applicable Regulatory standards.

RECOMMENDATION:

The Retirement Board of Authority will accept the information provided and file accordingly.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT

PUBLIC ENTITY INVESTMENT TRUST FINANCIAL STATEMENTS

June 30, 2017

COSSOLIAS | WILSON DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

(858) 565-2700 | www.cwdlcpa.com

ANTELOP VALLEY COMMUNITY COLLEGE DISTRICT
PUBLIC ENTITY INVESTMENT TRUST
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JUNE 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Antelope Valley Community College District
Lancaster, California

Report on the Financial Statements

We have audited the accompanying financial statements of Antelope Valley Community College District Public Entity Investment Trust (the "Trust"), a fiduciary fund of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Trust's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Antelope Valley Community College District Public Entity Investment Trust, a fiduciary fund of Antelope Valley Community College District, as of June 30, 2017, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the District's Trust and do not purport to, and do not, present fairly the financial position and results of operations of the Antelope Valley Community College District in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 5 and the Required Supplementary Information, such as the Schedule of Changes in the Net OPEB Liability and Related Ratios, Schedule of Contributions, and Schedule of Investment Returns on pages 14, 15, and 16, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017 on our consideration of the District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the Trust. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Trust. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Community College District's internal control over financial reporting and compliance for the Trust.

CWDL, Certified Public Accountants

San Diego, California
January 10, 2018

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This section provides an overview and analysis of the financial activities of Antelope Valley Community College District Public Entity Investment Trust (the "Trust") for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

The net position of Antelope Valley Community College District Public Entity Investment Trust at the close of fiscal year 2017 is $1,265,662 (net assets held in trust for retiree medical benefits). The net position is available to meet the Trust's ongoing obligations to participants and beneficiaries.

The Trust's funding objective is to meet long-term benefit obligations through contributions and investment income.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Trust's financial statements, which comprises these components:

1. Statement of Trust Net Position
2. Statement of Changes in Trust Net Position
3. Notes to Financial Statements

The Statement of Trust Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The Statement of Changes in Trust Net Position, on the other hand, provides a view of current year additions to and deductions from the Trust. Both statements are in compliance with Governmental Accounting Standards. These Standards require certain disclosures and require the state and local governments to report using the full accrual method of accounting. The Trust complies with all material requirements of these pronouncements.

The Statement of Trust Net Position and the Statement of Changes in Trust Net Position report information about the Trust's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date. In addition, both realized and unrealized gains and losses are shown on investments.

These two statements report the Trust's net position held in an irrevocable trust account for retirees' medical benefits. Net position, the difference between assets and liabilities, is one way to measure the Trust's financial position. Over time, increase and decrease in net position is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Trust's overall health.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Trust's progress in funding its obligations to provide retiree medical benefits to members.

FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indication of the Trust's financial position. The assets of the Trust exceeded its liabilities at the end of the fiscal years ended June 30, 2017 and 2016.

	2017	2016
Investments in mutual funds	$ 1,268,158	$ 765,339
Accounts payable	(2,496)	(1,433)
Net position	$ 1,265,662	$ 763,906

The $501,756 increase reflects payments for retiree benefits ($535,378), and net investment gains and employer contributions $1,037,134.

The changes to Trust net position during the fiscal year ended June 30, 2017 and 2016 are as follows:

	2017	2016
Employer contributions	$ 922,491	$ 947,879
Investment income/(loss), net of investmer	114,643	(10,320)
Retiree benefits	(535,378)	(560,766)
Beginning balance	763,906	387,113
Net position	$ 1,265,662	$ 763,906

For the year ended June 30, 2017, net investment gains of $114,643 were recorded.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the Trust's finances and to show the Trust's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact the District at: Antelope Valley Community College District, 3041 W Ave K, Lancaster, California 93536 or visit the District's website at http://www.avc.edu/.

ANTELOP VALLEY COMMUNITY COLLEGE DISTRICT
PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF TRUST NET POSITION
JUNE 30, 2017

ASSETS		
Cash	$	2,496
Investments:		
Mutual funds - equity		667,275
Mutual funds – fixed income		485,971
Real estate		112,416
Total assets		1,268,158
LIABILITIES		
Payables		
Due to broker		2,496
NET POSITION		
Net position restricted for postemployment benefits other than pensions:	$	1,265,662

See accompanying notes to financial statements

ANTELOP VALLEY COMMUNITY COLLEGE DISTRICT
PUBLIC ENTITY INVESTMENT TRUST
STATEMENT OF CHANGES IN TRUST NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

ADDITIONS		
Employer contributions	$	922,491
Net investment income:		
Realized and unrealized gains, net		90,883
Dividends and other income		35,082
Investment fees		(11,322)
Total additions		1,037,134
DEDUCTIONS		
Retiree benefits		535,378
Excess of additions over deductions		501,756
Net position restricted for postemployment benefits other than pensions:		
Net Position, July 1, 2016		763,906
Net Position, June 30, 2017	$	1,265,662

See accompanying notes to financial statements

NOTE 1 – DESCRIPTION OF PLAN

The following information of the Antelope Valley Community College District Public Entity Investment Trust (the "Trust"), a fiduciary fund of the Antelope Valley Community College District (the "District"), provides only general information of the Trust's provisions. Readers should refer to the Trust agreement for a more complete description. These financial statements include only the resources of the Trust and are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

General: The District administers the Trust, a contributory single-employer defined benefit healthcare plan through a third-party. The Trust provides postemployment medical, prescription drug and employee assistance program benefits to eligible retirees and their spouses by paying member premiums. Benefit provisions are established and amended through contract negotiations with labor unions and must be approved by the District's Board of Trustees. Membership consists of 37 retirees currently eligible to receive benefits, and 37 eligible active plan members.

Contributions: Contributions to the Trust are funded entirely by the employer. The Trust was established and may be amended by the Retirement Board of Authority. During the year ended June 30, 2017, the District transferred $922,491 into the trust from unrestricted District funds. Contributions are not required and any additional contributions by the District would be discretionary. Retiree benefits and administrative expenses are funded from the contribution and investment earnings.

Funded Status and Funding Progress: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the net OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents information about whether the plan fiduciary net position is increasing or decreasing over time relative to the total OPEB liability.

As of June 30, 2017, the most recent actuarial valuation date, the plan was 17 percent funded. The total OPEB liability was $7,405,289, the actuarial value of assets was $1,265,662, resulting in a funding deficit of $6,139,627 (include accounts payable). As of the last actuarial study, the covered payroll (annual payroll of active employees covered by the Plan) was $33,532,000, and the ratio of the funding excess to the covered payroll was 30 percent.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 1 – DESCRIPTION OF PLAN, continued

Actuarial Methods and Assumptions: (continued) In the June 30, 2017 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio.

Investment Options: As appointed by the Retirement Board of Authority, Benefit Trust Company, the Asset Custodian, maintains the Trust's investments in various mutual funds, and is the record keeper and Morgan Stanley is the investment advisor. Funds allocated to the Asset Custodian are invested as directed by the Retirement Board of Authority in a combination of equity and fixed income investments.

Plan Termination: In the event of Plan termination, the net position of the Trust would be allocated as prescribed in the Trust documents, generally to pay in the order indicated below:

- District's remaining retiree medical benefit liabilities.
- Reasonable expenses of administering the Trust.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due, pursuant to formal commitments as well as statutory or contractual commitments. Retiree benefits are recognized when due and payable.

The financial statements of the Trust have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America. In the U.S. the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The financial statements have been prepared consistent with GASB Codification Po50, *Postemployment Benefit Plans Other than Pension Plans,* and new standards set forth in GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*.

Investment Valuation: Investments are reported at fair value based upon market prices, when available, or estimates of fair value, and unrealized and realized gains and losses are included in the Statement of Changes in Trust Net Position.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Trust to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – INVESTMENTS

The Trust has adopted an internally developed investment policy that authorizes the use of a broad range of investment choices that have distinctly different risks and return characteristics. In general, investments held in the Trust Fund are for the primary purpose of meeting present and future OPEB liability obligations and may be invested in accordance with California Government Code Sections 53600 through 53622 that, subject to applicable legal requirements, may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

As stated in the Investment Policy, the Trust will invest predominantly in open-end mutual funds. The fair value of the Trust's individual investments is established at net asset value (NAV) and at June 30, 2017 are as follows:

Mutual funds:		
Equities	$	667,275
Fixed income		485,971
Real estate		112,416
Total investments	$	1,265,662

During the fiscal year ended June 30, 2017, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Unrealized gains net	$	78,142
Realized gains, net		12,741
Dividends and other income		35,082
Investment fees		(11,322)
Total investment gains	$	114,643

Custodial Credit Risk: The California Government Code requires California banks and savings and loan associations to secure the Trust's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an agency's total deposits and collateral is considered to be held in the name of the Trust. All cash held by financial institutions is entirely insured or collateralized.

Credit Risk: The Trust’s investment policy requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Retirement Board of Authority, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2017, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Interest Rate Risk: The Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the Trust had no significant interest rate risk related to investments held.

NOTE 3 – INVESTMENTS, continued

Concentration: As required under provisions of GASB Statement No. 74 *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, the plan is required to disclose investments (other than those issued or explicitly guaranteed by the U.S. government) in any one organization that represent 5 percent or more of the plan's fiduciary net position. At June 30, 2017, the following mutual fund holdings exceeded 5 percent of the plan's fiduciary net position:

Description		Market Value	Percentage of Fiduciary Net Position
Blackrock Total Return - K	$	74,484	5.88%
Prudential Funds Total Return - Q		74,728	5.90%
Western Asset Core Plus Bond IS		75,156	5.94%
Alger Funds Spectra Z		64,323	5.08%
Oakmark Select Fund - Institutional		75,506	5.97%

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on investments was 6.5%.

NOTE 4 – NET OPEB LIABILITY

The components of the Net OPEB LIABILITY of the plan at June 30, 2017 were as follows:

Total OPEB Liability	$	7,405,290
Plan Fiduciary Net Position		1,265,662
Net OPEB Liability	$	6,139,628

Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions	
Discount Rate	6.50%
Inflation	2.75%
Salary Increases(1)	2.75%
Investment Rate of Return(2)	6.50%
Mortality - Classified(3)	CalPERS' Membership Data
Mortality - Certificated(4)	CalSTRS' Membership Data
Health care cost trent rates	4.00%

(1)Since benefits do not depend on salary, using an aggregate payroll assumption for the purpose of calculating the service cost results in a negligible error

(2)This is based on assumed long-term return on plan assets assuming 100% funding through Futuris.

(3)The mortality assumptions are based on the 2014 CalPERS Retiree Mortality for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

(4)The mortality assumptions are based on the 2009 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

NOTE 4 – NET OPEB LIABILITY, continued

The long-term expected rate of return on the OPEB trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges were determined based on past investment history and are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset class	Allocation	Long-term expected real rate of return
US Large Cap	40%	*7.7950*
US Small Cap	20%	*7.7950*
Long-Term Corporate Bonds	20%	*5.2950*
Long-Term Corporate Bonds	10%	*5.2950*
Short-Term Government Fixed	10%	*3.2500*
Total	100.0%	

Discount Rate: The discount rate of 6.5% is based on the rate of return at 6.5%. The projection of cash flows used to determine the discount rate assumed that ongoing contributions will be made at the actuarially determined contribution rate. Based on that assumption, the OPEB plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members in all future years. Based on earnings on assets of 6.5%, expected future assets are projected to be sufficient to pay out projected District payments for retiree health benefits.

Sensitivity of the net OPEB liability to changes in the discount rate:

	1% Decrease (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB liability	$ 6,593,034	$ 6,139,628	$ 5,728,327

Trend Rate: The trend rates grade down from current market trends to an ultimate rate sensitivity of the net OPEB liability to changes in the discount rate:

	1% Decrease Ultimate Trend Rate (3.0%)	Ultimate Trend Rate (4.0%)	1% Increase Ultimate Trend Rate (5.0%)
Net OPEB liability	$ 4,939,939	$ 6,139,628	$ 7,540,843

NOTE 5 – ACCOUNTS PAYABLE

The accounts payable at June 30, 2017 consisted of $2,496 in retiree benefit administration costs due to the broker.

NOTE 6 – RELATED PARTY TRANSACTIONS

Retiree benefit costs of the Trust are paid by Antelope Valley Community College District. The District pay-as-you-go contribution amount was $535,378 during the 2016-17 fiscal year. In addition, $387,113 was contributed into the trust.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE NET OPEB LIABILITY AND RELATED RATIOS

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances at 6/30/2016	$ 6,856,461	$ 763,906	$ 6,092,555
Changes for the year:			
Service Cost	599,942	-	599,942
Interest	484,265	-	484,265
Contributions – employer*	-	922,491	(922,491)
Net investment income	-	125,965	(125,965)
Benefit payments	(535,378)	(535,378)	-
Administrative expense	-	(11,322)	11,322
Net changes	548,829	501,756	47,073
Balances at 6/30/2017	$ 7,405,290	$ 1,265,662	$ 6,139,628

Plan fiduciary net position as a percentage of the total OPEB liability	17.1%
Estimated Covered Payroll	$ 33,532,000
Net OPEB asset as percentage of covered-employee payroll	18.3%

Notes to Schedule:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, requires a 10-year trend analysis for the schedule of the net OPEB liability and related ratios. The District will continue to display information for all years available until the full 10-year illustration is present.

SCHEDULE OF INVESTMENT RETURNS

	2017
Annual money-weighted rate of return, net of investment expense	6.50%

Notes to Schedule:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, requires a 10-year trend analysis for the schedule of investment returns. The District will continue to display information for all years available until the full 10-year illustration is present. As fiscal year 2017 was the 1st year of implementation, therefore only one year is shown.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Antelope Valley Community College District
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Antelope Valley Community College District Public Entity Investment Trust (the "Trust"), a fiduciary fund of Antelope Valley Community College District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated January 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over the Trust's financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting for the Trust.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Trust financial statements are free of material misstatement, we performed tests of the Trust's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance for the Trust. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Trust. Accordingly, this communication is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
January 10, 2018

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-025
Transfer of Assets into the Trust		Enclosure:	No
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The District's Investment Trust was created for the exclusive purpose of prefunding unfunded retiree OPEB liabilities.

STATUS:

The Retirement Board of Authority will acknowledge previous District transfers to the Trust and provide updates for anticipated prefunding transfers for the current fiscal year.

RECOMMENDATION:

The Retirement Board of Authority shall hear the discussion and file the information accordingly.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			

SUBJECT:	ITEM #:	2017/2018-026
Annual Report to the Governing Board of Trustees	Enclosure:	Yes
	Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The current status of the District's OPEB Investment Trust is to be periodically provided to the Antelope Valley Community College District Board of Trustees.

STATUS:

The RBOA membership anticipates a presentation as to the status of the District's OPEB Trust to the Antelope Valley CCD Governing Board of Trustees. Schedules for the preparation of presentation materials should be identified and accepted by all the presentation functionaries.

RECOMMENDATION:

The Retirement Board of Authority shall hear the presentation and file the information accordingly.

Antelope Valley College

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April 10, 2017

ANTELOPE VALLEY COLLEGE

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Presented By

- Cary Allison – Morgan Stanley Wealth Management
  -- The Futuris Overview of Team & RBOA Responsibilities – Slides 3-6
  -- AVCCD Public Entity Investment Trust Performance – Slide 7
  -- 2016 Time Weighted Return Net of Fees – Slide 8

- Diana Keelen – Antelope Valley College
  -- 2016 Accomplishments –Slide 9
  -- 2017 Goals/Objectives – Slide 10
  -- 2015-2016 Public Entity Investment Trust Audit – Slide 11
  -- Accreditation Follow Up Report – Slide 12

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Antelope Valley College
Retirement Board of Authority Members

- Diana Keelen, Executive Director of Business Services, Chairperson
- Mark Bryant, Vice President Human Resources, Vice Chairperson
- Michael Adams, Elected Official/Board of Trustees Member

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Retirement Board of Authority Responsibilities

- Provides high level oversight of the Program
- Adopts and executes the terms of the Trust
- Adopts the Investment Policy Statement
- Requires Brown Act meetings creating transparency
- Documents the Due Process
- Provides Local Control
- Futuris structure mitigates liability for the District and Retirement Board of Authority

GASB 74 and 75 Statements Modifications Overview

- **OPEB GASB STATEMENT NO. 74 and 75:**
  Replaces GASB 43 and 45 Updates Financial Reporting Process
- **EFFECTIVE DATES:**
  July 1, 2016 and GASB 75 Effective July 1, 2017
- **FREQUENCY OF ACTUARIAL VALUATIONS:**
  Every two (2) Years for all Public Entities. **An Update** of Actuarial Valuation Report Required **Between Years**
- **RECOGNIZING OPEB LIABILITY:** OPEB **Liability Reported** on Face of Financials. **Net or Total Gross** Depending if **Trust is in Place or not in Place**
- **MEASURING OPEB LIABILITY:**
  COLA Changes, Taxes and Other Expense Assessments.
  Cadillac Tax and other penalties are considered an OPEB GASB Liability.
  Discount Rates Vary Based on Long Term or Short Term or No Term Funding.
  AA or Higher , 20-Year General Obligation Municipal Bond Yield or Index Rate **(Usually Lower Returns)**
  Entry Age Method and Level Percentage of Payroll.
- **CALCULATING OPEB EXPENSE:**
  No More Thirty (30) Years to Amortize Any Financial
  Misstatement Factors Included in OPEB
  Expense/ New Amortizing Schedules Immediately, Over Average Remaining Years of
  Employment and Over five (5) Years.
- **NOTE DISCLOSURES AND REQUIRED SUPPLEMENTARY INFORMATION:**
  Required Supplementary Information (RSI), Information will Vary Depending on Which Plan of Participation, **Trust or No Trust**

The Team

Keenan Financial Services

Gail Beal, Sr. Vice President – 15 years experience
Roslyn Washington, Sr. Account Manager – 10 years experience

Benefit Trust

Scott Rankin, Sr. Vice President - 10 years experience
Kelly Spire, Client Manager –5 years experience

Morgan Stanley

Cary Allison, Sr. Vice President – 10 yrs experience
LaQuela Barnett, Registered Client Services Associate

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Irrevocable Trust Investment Performance

• Portfolio Value on 12-31-15	$747,615.08
• Contributions	$387,113.25
• Withdrawals	$0.00
• Change in Market Value	$22,706.09
• Income Received	$31,340.71
• Portfolio Fees	--$9,092.11
• Portfolio Value on 12-31-16	**$1,179.682.87**

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Time Weighted Return – Net of Fees

Performance	2016	Annualized Since Inception
Antelope Valley CCD annualized return	5.84%	1.31%
S&P 500 (Domestic Stocks)	11.98%	6.86%
MSCI EAFE (International stocks)	1.00%	-4.99%
Barclays Aggregate (Domestic Bonds)	2.66%	1.85%
Barclays Global (Global Bonds)	2.08%	1.24%

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2016 Accomplishments

- Completed actuarial valuation showing affect of trust contributions on long term OPEB liability in January 2016
- Reviewed Investment Policy
- Keenan provided a written summary of the “substantive plan” for 2015-2016 in accordance with the GASB requirements
- Continued funding into the irrevocable trust to lower the liability
- Met quarterly to review and discuss portfolio

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2017 Goals/Objectives

- Continue Develop and Installation of the "Management Plan" for Funding OPEB GASB 43, 45, 74 and 75 Liability
- Develop Policies & Procedures for the Maintenance of GASB 43, 45, 74 and 75 Compliance to include the "Substantive Plan"
- Prepare to implement GASB 74 & 75 guidelines issued June 2015 and to be installed in 2016 and 2017

2015-2016 Public Entity Investment Trust Audit

- Audited two years of contributions of $774,226 into the irrevocable trust
- Auditing firm reviewed investment valuation to ensure fair valuation, investment policy & implementation, and OPEB compliance plan
- There were no audit findings or recommendations

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Accreditation

- 2012 Accreditation Recommendation, Standard III.D.3.c: The college needs to allocate funds to the OPEB trust. The activity of the Retirement Board does not demonstrate clear progress in addressing the OPEB liability and its impact on the College's ability to prevent service impacts.
- Matter was subject to follow up and on February 5, 2016 received ACCJC memo regarding Standard III.D.3.c stating changes were sufficient and must be evident in the Fall 2016 comprehensive accreditation review.
- The Commission finds that AVC's recent changes implemented to resolve deficiencies has been sustained and were validated in AVC's comprehensive accreditation review in Fall 2016

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April 10, 2017

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-027
Retirement Board of Authority Comments		Enclosure:	No
		Action Item	No

Prepared by:	Keenan Financial Services
Requested by:	Retirement Board of Authority

BACKGROUND:

Each member may report about various matters involving the Retirement Board of Authority.

RECOMMENDATION:

There will be no Retirement Board of Authority discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO: Retirement Board of Authority	DATE: 02/14/2018
SUBJECT: Program Coordinator/Consultant Comments	ITEM #: 2017/2018-028 Enclosure: No Action Item No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

The Program Coordinator may address the Board of Authority on any matter pertaining to the Retirement Board of Authority that is not on the agenda.

RECOMMENDATION:

There will be no Retirement Board of Authority discussion except to ask questions or refer matters to staff, and no action will be taken unless listed on a subsequent agenda.

ANTELOPE VALLEY COMMUNITY COLLEGE DISTRICT
RETIREMENT BOARD OF AUTHORITY MEETING

PRESENTED TO:		DATE:	02/14/2018
Retirement Board of Authority			
SUBJECT:		ITEM #:	2017/2018-029
Date, Time and Agenda Items for Next Meeting		Enclosure:	No
		Action Item	No

Prepared by: Keenan Financial Services

Requested by: Retirement Board of Authority

BACKGROUND:

Board members and visitors may suggest items for consideration at the next Retirement Board of Authority meeting.

RECOMMENDATION:

The Board will determine Agenda Items for the next meeting.