nyhart

Portsmouth School District
Interim GASB 45 Disclosures

Fiscal Year Ending
June 30, 2012

Certification

This report summarizes the interim GASB actuarial valuation for the Portsmouth School District for its 2011/12 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Nyhart

Randy Gomez

Randy Gomez, FSA, MAAA

Evi Laksana, ASA, MAAA

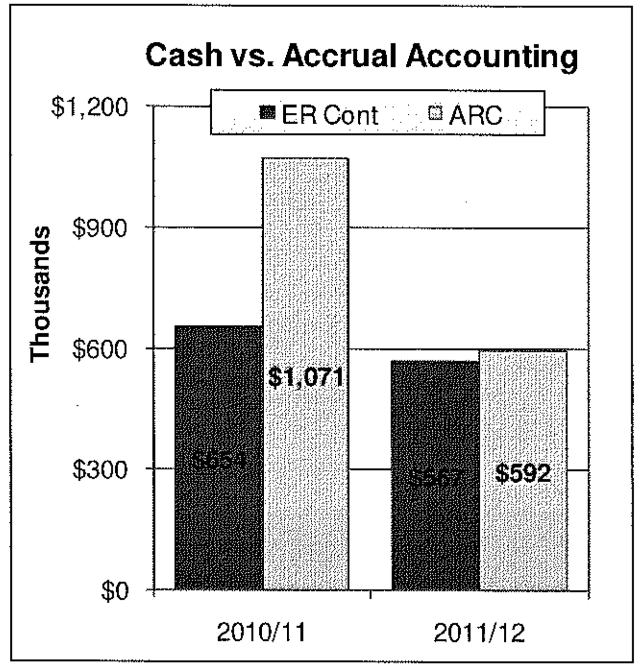
September 11, 2012

Required Supplementary Information

Required Supplementary Information	*2010/11*	*2011/12*[1]
Actuarial Accrued Liability as of end of year	$ 10,258,675	$ 7,207,872
Actuarial Value of Assets as of end of year	0	0
Unfunded Actuarial Accrued Liability (UAAL)	**$ 10,258,675**	**$ 7,207,872**
Covered payroll[2]	$ 18,890,918	$ 19,457,646
UAAL as a % of covered payroll	54.3%	37.0%

Annual Required Contribution

Annual Required Contribution	*2010/11*	*2011/12*
Normal cost as of beginning of year	$ 459,667	$ 168,825
Amortization of the UAAL for 30 years	570,442	400,800
Total normal cost and amortization payment	$ 1,030,109	$ 569,625
Interest to end of year	41,204	22,785
Total Annual Required Contribution (ARC)	**$ 1,071,313**	**$ 592,410**



Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

[1] Actuarial Accrued Liability (AAL) as of end of year and Normal Cost as of beginning of year have been adjusted for actual premium rates increases from 2010/11 to 2011/12 and retiree health benefit provisions changes effective on October 1, 2011.

[2] 2011/12 covered payroll is based on 2010/11 covered payroll increased by salary scale assumption (3%).

Net OPEB Obligation

	2010/11	*2011/12*
ARC as of end of year	$ 1,071,313	$ 592,410
Interest on Net OPEB Obligation (NOO) to end of year	16,037	32,455
NOO amortization adjustment to the ARC	(23,186)	(46,923)
Annual OPEB cost	$ 1,064,164	$ 577,942
Annual employer contribution for pay-go cost (actual)	(653,712)	(567,085)
Annual employer contribution for pre-funding	0	0
Change in NOO	$ 410,452	$ 10,857
NOO as of beginning of year	400,934	811,386
NOO as of end of year	**$ 811,386**	**$ 822,243**

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Note: The FYE 2009/10 GASB results can be found in the Town's FYE June 30, 2010 CAFR statement. The figures shown for the 2009/10 fiscal year below are based on the GASB valuation results for the fiscal year ending June 30, 2008.

Schedule of Funding Progress

As of	*Actuarial Value of Assets (AVA)*	*Actuarial Accrued Liability (AAL)*	*Unfunded Actuarial Accrued Liability (UAAL)*	*AVA as a % of AAL*	*Covered Payroll*	*UAAL as a % of Covered Payroll*
	A	*B*	*C = B – A*	*D = A / B*	*E*	*F = C / E*
July 1, 2011	$ -	$ 7,207,872	$ 7,207,872	0.0%	$ 19,457,646	37.0%
July 1, 2010	$ -	$ 10,258,675	$ 10,258,675	0.0%	$ 18,890,918	54.3%
July 1, 2009	$ -	$ 4,514,458	$ 4,514,458	0.0%	N/A	N/A

Schedule of Employer Contributions

FYE	*Employer Contributions*	*Annual Required Contribution (ARC)*	*% of ARC Contributed*
	A	*B*	*C = A / B*
June 30, 2012	$ 567,085	$ 592,410	95.7%
June 30, 2011	$ 653,712	$ 1,071,313	61.0%
June 30, 2010	$ 322,804	$ 511,670	63.1%

Historical Annual OPEB Cost

As of	*Annual OPEB Cost*	*% of Annual OPEB Cost Contributed*	*Net OPEB Obligation*
June 30, 2012	$ 577,942	98.1%	$ 822,243
June 30, 2011	$ 1,064,164	61.4%	$ 811,386
June 30, 2010	$ 511,670	63.1%	$ 400,934

Actuary's Notes

Adjustments have been made to the School District's July 1, 2011 Actuarial Accrued Liability (AAL), normal cost, and benefit payments for the actual premium rates increase from 2010/11 to 2011/12 and also for retiree health benefits provisions changes effective on October 1, 2011.

Changes in Retiree Health Benefits Provisions

1. Explicit subsidy for AFSCME and At Will employees

   a. Prior valuation:
      - For the first 6 years of retirement, the School District will subsidize the full cost of single coverage. The School District's subsidy is locked at the premium rate in effect in the first year of retirement. The School District subsidy will continue to be paid at the same rate upon Medicare eligibility if it is within 6 years of retirement.
      - After 6 years, retirees who are not yet eligible for Medicare can stay on the plan until Medicare eligibility by contributing the full cost of coverage. Retirees who are eligible for Medicare at the end of 6 years are not allowed to stay in the School District's group health plan.
      - Employees who decline health coverage at retirement will receive 50% premium reimbursement for single coverage only for 6 years. Premium reimbursement will continue to be paid at the same rate upon Medicare eligibility if it is within 6 years of retirement.

   b. Current valuation:
      - The School District's explicit subsidy will be discontinued once the retiree reaches Medicare eligibility, even if they are still within the first 6 years of retirement. Medicare eligible retirees may not be enrolled in the School District's plan, unless they are among the grandfathered current retirees who can remain in the School District's Medicare Supplement plan.
      - Premium reimbursement benefit for employees who decline health care at retirement will be discontinued once the retiree is eligible for Medicare, even if they are still within the first 6 years of retirement.

Actuary's Notes – Continued

Changes in Retiree Health Benefits Provisions (continued)

2. NEA (Teachers) and Individual Contracts Explicit Subsidy

   a. Prior valuation:
      - For the first 9 years of retirement, the School District will subsidize the full cost of single coverage. The School District's subsidy is locked at the premium rate in effect in the first year of retirement. The School District subsidy will continue to be paid at the same rate upon Medicare eligibility if it is within 9 years of retirement.
      - After 9 years, retirees can continue coverage under the School District's group health plan (or Medicare Supplement Plan if they are eligible for Medicare) by contributing the full cost of coverage.
      - Employees who decline health coverage at retirement will receive 50% premium reimbursement for single coverage only for 6 years. Premium reimbursement will continue to be paid at the same rate upon Medicare eligibility if it is within 6 years of retirement.

   b. Current valuation:
      - For the first 9 years of retirement, Teachers who retire after October 1, 2011 will contribute the same amount equal to the co-share in effect on their date of retirement. The current active employees' contribution rate is 18% of premium. The retiree contribution amount will remain the same throughout retirement.
      - The School District's explicit subsidy will be discontinued once the retiree reaches Medicare eligibility, even if they are still within the first 9 years of retirement. Only existing retirees who are currently eligible for Medicare are allowed to remain in the School District's group health plan.
      - Premium reimbursement benefit for employees who decline health care at retirement will be discontinued once the retiree is eligible for Medicare, even if they are still within the first 6 years of retirement.
      - All existing retirees as of October 1, 2011 can keep their current explicit subsidy arrangement.

Actuary's Notes – Continued

Changes in Retiree Health Benefits Provisions (continued)

3. Administrators Explicit Subsidy

   a. Prior valuation:
      - For the first 9 years of retirement, the School District will subsidize the full cost of single coverage. The School District's subsidy is locked at the premium rate in effect in the first year of retirement. The School District subsidy will continue to be paid at the same rate upon Medicare eligibility if it is within 9 years of retirement.
      - Administrators hired on/after July 1, 2007, the School District subsidy will be reduced by the employee co-payment percentage in effect at time of retirement. The employee co-payment percentage is 20% for the fiscal year ending June 30, 2011.
      - After 9 years, retirees can continue coverage under the School District's group health plan (or Medicare Supplement Plan if they are eligible for Medicare) by contributing the full cost of coverage.
      - Employees who decline health coverage at retirement will receive 50% premium reimbursement for single coverage only for 6 years. Premium reimbursement will continue to be paid at the same rate upon Medicare eligibility if it is within 6 years of retirement.

   b. Current valuation:
      - For the first 9 years of retirement, Administrators who retire after October 1, 2011 will contribute the same amount equal to the co-share in effect on their date of retirement. The current active employees' contribution rate is 20% of premium. The retiree contribution amount will remain the same throughout retirement.
      - The School District's explicit subsidy will be discontinued once the retiree reaches Medicare eligibility, even if they are still within the first 9 years of retirement. Only existing retirees who are currently eligible for Medicare are allowed to remain in the School District's group health plan.
      - Premium reimbursement benefit for employees who decline health care at retirement will be discontinued once the retiree is eligible for Medicare, even if they are still within the first 9 years of retirement.
      - All existing retirees as of October 1, 2011 can keep their current explicit subsidy arrangement.

Actuary's Notes – Continued

Medical Premium Rates

Comparison of monthly premium rates effective on July 1, 2010, 2011, and 2012 are as shown below.

	Eff. 7/1/2010		Eff. 7/1/2011		Eff. 7/1/2012	
Health Plan	**Single**	**Family**	**Single**	**Family**	**Single**	**Family**
Healthmate Certified	$ 523.20	$ 1,351.39	$ 549.22	$ 1,418.62	$ 531.64	$ 1,371.81
Healthmate Non-Certified	$ 535.25	$ 1,382.50	$ 608.58	$ 1,571.90	$ 589.11	$ 1,521.60
Plan 65*	$ 152.61	N/A	$ 157.58	N/A	$ 157.58	N/A
Blue Chip*	N/A	N/A	N/A	N/A	$ 320.00	N/A

* These community-rated plans are only available to grandfathered AFSCME retirees eligible for Medicare. These plans are no longer offered to new AFSCME retirees.

Summary of Actuarial Assumptions

For complete assumptions refer to GASB 45 Financial Report for fiscal year ending June 30, 2011.

Discount Rate 4.00% unfunded

Salary Scale 3.00% (used to project total covered payroll only)

Cost Method Projected Unit Credit

Amortization Level dollar amount based on an open group

Amortization Period 30 years for 2010/11 and 2011/12 periods

Health Care Trend Rates

FYE	Rates	FYE	Rates
2012	9.5%	2017	7.0%
2013	9.0%	2018	6.5%
2014	8.5%	2019	6.0%
2015	8.0%	2020	5.5%
2016	7.5%	2021	5.0%

Retiree Contributions Retiree contributions are assumed to increase with health care trend rates.