

**KENTFIELD FIRE PROTECTION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

PLAN DESCRIPTION

In accordance with its agreement with the Kentfield Association of Professional Firefighters, the District provides post-retirement health care benefits to its retirees through the Kentfield Fire Protection District Retiree Health Plan (Plan). The Plan is a single-employer plan for which audited financial statements are not available.

Payments are made on a pay-as-you-go basis. The District implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 effective prospectively for the 2009-10 fiscal year.

FUNDING POLICY

The required contribution rate is based on the annual required contribution (ARC), and amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the District over a period not to exceed thirty years.

ANNUAL OPEB COST AND NET OPEB OBLIGATION

During the year ended June 30, 2010, the District began partial pre-funding of the retiree health care liabilities. For the year ended June 30, 2012, a pay-go contribution of \$73,148 was paid and a pre-funding contribution of \$170,000 was made to the CalPERS Trust.

Annual required contribution/Annual OPEB cost (expense)	\$ 168,657
Interest on net OPEB obligation	(9,922)
Adjustment to annual required contribution	7,476
Annual OPEB Cost (expense)	<u>166,211</u>
Contributions made	<u>(243,148)</u>
Increase (decrease) in net OPEB obligation	(76,937)
Net OPEB obligation (asset) - beginning of the year	<u>(128,030)</u>
Net OPEB obligation (asset) - end of the year	<u><u>\$ (204,967)</u></u>

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YEAR ENDED JUNE 30, 2012**

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2010	\$169,967	\$232,405	137%	\$ (62,438)
2011	168,774	234,366	139%	(128,030)
2012	166,211	243,148	146%	(204,967)

FUNDING STATUS

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, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions include a 7.06% investment rate of return and a general inflation rate of 3.25%. The UAAL were amortized using a 30-year level-percent of payroll amortization period.