FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Rancho Santiago Community College District

Actuarial Study of
Retiree Health Liabilities
Valuation Date: June 30, 2025

Prepared by:
Total Compensation Systems, Inc.

Date: January 7, 2026

Table of Contents

Rancho Santiago Community College District
Actuarial Study of Retiree Health Liabilities

PART I: EXECUTIVE SUMMARY

A. Introduction

This report was produced by Foster & Foster for Rancho Santiago Community College District to determine the liabilities associated with its current retiree health program as of a June 30, 2025 valuation date and to determine employer contributions for the fiscal periods ending June 30, 2026 and June 30, 2027. Because the actuarial accrued liability for this funding report is based on the same actuarial methods and assumptions as those used for GASB 75, we have used the same GASB 75 terminology by referring to the Actuarial Accrued Liability as the Total OPEB Liability, referring to the unfunded actuarial accrued liability as the Net OPEB Liability (NOL), and referring to the Normal Cost as the Service Cost. This report may not be suitable for other purposes such as GASB 75 accounting requirements or assessing the potential impact of changes in plan design. A separate report will be provided to Rancho Santiago Community College District to assist in complying with Governmental Accounting Standards Board Accounting Statement 74 and 75.

Different users of this report will likely be interested in different sections of information contained within. We anticipate that the following portions may be of most interest depending on the reader:

- A high level comparison of key results from the current year to the prior year is shown on this page.
- The employer contribution amounts for the periods ending June 30, 2026 and June 30, 2027 are shown on page 2.
- Description and details of measured valuation liabilities can be found beginning on page 10.

B. Key Results

Rancho Santiago Community College District performed a full valuation as of June 30, 2025.

Key Results	**Current Year** *June 30, 2025 Measurement Date*	**Prior Year** *June 30, 2024 Measurement Date*
Total OPEB Liability (TOL)	$99,909,255	$93,065,145
Market Value of Assets (MVA)	$73,318,225	$65,255,781
Net OPEB Liability (NOL)	$26,591,030	$27,809,364
Funded Status	73%	70%
Service Cost *(for year following)*	$3,234,143	$2,529,386
Estimated Pay-as-you-go Amount *(for year following)*	$6,455,617	$6,086,104
Contribution *(for year following)*	$5,893,990	$5,473,743

Refer to results section beginning on page 10 or the glossary on page 23 for descriptions of the above items.

Key Assumptions	**Current Year** *June 30, 2023 Valuation Date*	**Prior Year** *June 30, 2021 Valuation Date*
Valuation Interest Rate	6.25%	6.25%
Expected Rate of Return on Assets	6.25%	6.25%
Long-Term Medical Trend Rate	4.00%	4.00%
Projected Payroll Growth	2.75%	2.75%

C. Summary of Valuation Results

1. Actuarial Liabilities

Refer to results section beginning on page 10 or the glossary on page 23 for descriptions of the above items.

	6/30/2025
1. Actuarial Present Value of Projected Benefit Payments	$131,642,599
2. Total OPEB Liability	$99,909,255
3. Annual Service Cost	$3,234,143
4. Present Value of Future Service Costs (1 – 2 – 3)	$28,499,201

2. Reconciliation of Market Value of Assets

	FY 2024/25	FY 2023/24
Beginning Market Value of Assets	$65,255,781	$58,306,706
Employer Contributions	$6,030,020	$5,575,791
Fund Earnings	$8,218,150	$7,082,889
Benefit Payments	($6,030,020)	($5,575,791)
Administrative Expenses	($155,706)	($133,814)
Net Change	$8,062,444	$6,949,075
Ending Market Value of Assets	**$73,318,225**	**$65,255,781**

3. Actuarial Value of Assets

For funding purposes, the District has selected the market value of assets as the actuarial value of assets.

	6/30/2025
Market value of assets (MVA)	$73,318,225

3. Contributions

Below is a summary of the Employer Contribution Target for the next two fiscal years. Please see page 13 for the development of the contribution.

	FY 2025/26
Employer Contribution Target	$5,893,990

	FY 2026/27
Employer Contribution Target	$6,056,074

D. Reconciliation of Net OPEB Liability

1. Changes in Net OPEB Liability

The following table shows the reconciliation of the June 30, 2024 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2025 NOL. A more detailed version of this table can be found on page 14.

	TOL	***FNP***	***NOL***
Balance at June 30, 2024 Measurement Date	**$93,065,145**	**$65,255,781**	**$27,809,364**
Service Cost	$2,529,386	$0	$2,529,386
Interest on TOL / Return on FNP	$5,705,415	$8,218,150	($2,512,735)
Employer Contributions*	$0	$6,030,020	($6,030,020)
Benefit Payments*	($6,030,020)	($6,030,020)	$0
Administrative Expenses	$0	($155,706)	$155,706
Experience (Gains)/Losses	$4,639,329	$0	$4,639,329
Changes in Assumptions	$0	$0	$0
Other	$0	$0	$0
Net Change	$6,844,110	$8,062,444	($1,218,334)
Actual Balance at June 30, 2025 Measurement Date	**$99,909,255**	**$73,318,225**	**$26,591,030**

***** Includes $623,002 due to implied rate subsidy.

2. Trend and Interest Rate Sensitivities

The following presents what the Net OPEB Liability would be if it were calculated using a discount rate assumption or a healthcare trend rate assumption one percent higher or lower than the current assumption.

Net OPEB Liability at June 30, 2025 Measurement Date	*Discount Rate*	*Healthcare Trend Rate*
1% Decrease in Assumption	$34,124,930	$17,909,347
Current Assumption	$26,591,030	$26,591,030
1% Increase in Assumption	$19,775,561	$36,570,650

E. Description of Retiree Benefits

Following is a description of the current retiree benefit plan:

	Faculty	Classified	CDC	Management
Applies to*	Hired > 5/31/86	Hired > 6/30/90**	Hired > 5/31/86	Hired > 5/31/86
Benefit types provided	Medical and Dental	Medical and Dental	Medical and Dental	Medical and Dental
Duration of Benefits	To age 70	To age 70	To age 70	To age 70
Required Service	15 years	15 years	15 years	15 years
Minimum Age	55	50	50	50
Dependent Coverage	Yes	Yes	Yes	Yes***
District Contribution %	100%	100%	100%	100%
District Annual Cap	Active cap	Active cap	Active cap	None

*Employees hired prior to 5/31/1986 are eligible for lifetime benefits.
**Those hired after 7/1/86 and before 7/1/90 receive the above benefits but with no cap
***Surviving spouse coverage available to administrators hired before 7/1/89 and supervisors/confidential hired before 4/11/05.

This valuation does not reflect any cash benefits paid unless the cash benefits are limited to be used for or 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.

F. Summary of Valuation Data

This report is based on census data provided to us as of June, 2025. Distributions of participants by age and service can be found on page 19. The active count below excludes employees for whom it is not possible to receive retiree benefits (e.g. employees who are already older than the maximum age to which benefits are payable or who will not accrue the required service prior to reaching the maximum age).

	Current Year *June 30, 2025 Valuation Date*	**Prior Year** *June 30, 2023 Valuation Date*
Active Employees eligible for future benefits		
Count	1066	906
Average Age	46.6	47.7
Average Years of Service	10.8	12.0
Retirees currently receiving benefits		
Count	437	452
Average Age	74.2	73.4

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

G. Certification

The actuarial information in this report is intended solely to assist Rancho Santiago Community College District in determining the liabilities associated with its current retiree health program as of June 30, 2025 and to provide the Employer Contribution Targets for the periods ending June 30, 2026 and June 30, 2027. Nothing in this report should be construed as an accounting opinion, accounting advice or legal advice. TCS recommends that third parties retain their own actuary or other qualified professionals when reviewing this report. TCS's work is prepared solely for the use and benefit of Rancho Santiago Community College District. Release of this report may be subject to provisions of the Agreement between Rancho Santiago Community College District and TCS. No third party recipient of this report product should rely on the report for any purpose other than accounting compliance. Any other use of this report is unauthorized without first consulting with TCS.

This report is for fiscal year July 1, 2024 to June 30, 2025, using a measurement date of June 30, 2025. The calculations in this report have been made based on our understanding of plan provisions and actual practice at the time we were provided the required information. We relied on information provided by Rancho Santiago Community College District. Much or all of this information was unaudited at the time of our evaluation. We reviewed the information provided for reasonableness, but this review should not be viewed as fulfilling any audit requirements. We relied on the following materials to complete this study:

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

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

All costs, liabilities, and other estimates are based on actuarial assumptions and methods that comply with all applicable Actuarial Standards of Practice (ASOPs). Each assumption is deemed to be reasonable by itself, taking into account plan experience and reasonable future expectations and in combination represent our estimate of anticipated experience of the Plan.

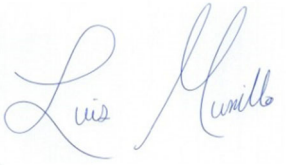
This report contains estimates of the Plan's financial condition and future results only as of a single date. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. This valuation cannot predict the Plan's future condition nor guarantee its future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Determining results using alternative assumptions (except for the alternate discount and trend rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from those presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the measurement methodology (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. We were not asked to perform analyses to estimate the potential range of such future measurements.

The signing actuary is independent of Rancho Santiago Community College District and any plan sponsor. TCS does not intend to benefit from and assumes no duty or liability to other parties who receive this report. TCS is not aware of any relationship that would impair the objectivity of the opinion.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and has been prepared in accordance with generally accepted actuarial principles and practices and all applicable Actuarial Standards of Practice. I meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



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PART II: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefit payments (APVPBP) separately for each participant. We determined eligibility for retiree benefits based on information supplied by Rancho Santiago Community College District. We then selected assumptions that, based on plan provisions and our training and experience, represent our best prediction of future plan experience. For each participant, we applied the appropriate assumption factors based on the participant's age, sex, length of service, and employee classification.

The actuarial assumptions used for this study are summarized beginning on page 15.

B. Liability for Retiree Benefits.

For each participant, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Rancho Santiago Community College District 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 participant is living, has not terminated employment, has retired and remains eligible. The probability that benefit will be paid is zero if the participant is not eligible. The participant 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 multiplied the above 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. Finally, we discounted the expected cost for each year to the measurement date June 30, 2025 at 6.25% interest.

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 100%).

The value generated from the process described above is called the actuarial present value of projected benefit payments (APVPBP). We added APVPBP for each participant to get the total APVPBP for all participants which is the estimated present value of all future retiree health benefits for all **current** participants. The APVPBP is the amount on June 30, 2025 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last participant dies or reaches the maximum eligibility age. However, for most actuarial and accounting purposes, the APVPBP is not used directly but is instead apportioned over the lifetime of each participant as described in the following sections.

C. Actuarial Accrual

Actuarial principles and best practices provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. While this report is to be used for funding purposes and NOT to meet the requirements of GASB 75, we have used the actuarial methods required under GASB 75 in determining the actuarial liabilities for this report. For this reason, we have included references to GASB 75 where appropriate. The Governmental Accounting Standards Board (GASB) was 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").

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" and uses the APVPBP to develop expense and liability figures. Furthermore, the APVPBP should be accrued over the working lifetime of employees.

In order to accrue the APVPBP over the working lifetime of employees, actuarial cost methods apportion the APVPBP 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 or present value of future service costs). Of the future service liability, the portion attributable to the single year immediately following the measurement date is known as the normal cost or Service Cost under GASB 74 and 75.

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. The actuarial cost method mandated by GASB 75 is the "entry age actuarial cost method". Under the entry age actuarial cost method, the actuary determines the service cost as the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. Under GASB 75, the service cost is calculated to be a level percentage of each employee's projected pay.

D. Actuarial Assumptions

The APVPBP and service cost are 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 (and sometimes retirement or disability status). 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 the long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds rated AA or higher. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

E. Total OPEB Liability

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.

Changes in the TOL can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. Change in the TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience.

F. Valuation Results

This section details the measured values of the concepts described on the previous pages.

1. Actuarial Present Value of Projected Benefit Payments (APVPBP)

Actuarial Present Value of Projected Benefit Payments as of June 30, 2025 Valuation Date

	Total	*Certificated*	*Child Development Center*	*Classified*	*Management*
Active: Pre-65 Benefit	$55,948,837	$18,381,249	$3,216,399	$26,941,753	$7,409,436
Post-65 Benefit	$26,068,632	$9,732,140	$1,453,756	$10,901,933	$3,980,803
Subtotal	$82,017,469	$28,113,389	$4,670,155	$37,843,686	$11,390,239
Retiree: Pre-65 Benefit	$10,117,602	$1,876,640	$355,190	$6,025,751	$1,860,021
Post-65 Benefit	$39,507,528	$15,748,456	$647,140	$16,646,530	$6,465,402
Subtotal	$49,625,130	$17,625,096	$1,002,330	$22,672,281	$8,325,423
Grand Total	$131,642,599	$45,738,485	$5,672,485	$60,515,967	$19,715,662
Subtotal Pre-65 Benefit	$66,066,439	$20,257,889	$3,571,589	$32,967,504	$9,269,457
Subtotal Post-65 Benefit	$65,576,160	$25,480,596	$2,100,896	$27,548,463	$10,446,205

2. Service Cost

The service cost represents the value of the benefit earned during a single year of employment. It is the APVPBP spread over the expected working lifetime of the employee and divided into annual segments. 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 Valuation Year Beginning July 1, 2025

	Total	*Certificated*	*Child Development Center*	*Classified*	*Management*
# of Eligible Employees	1,066	352	68	503	143
First Year Service Cost					
Pre-65 Benefit	$2,196,767	$696,960	$141,032	$1,062,336	$296,439
Post-65 Benefit	$1,037,376	$369,952	$63,308	$434,089	$170,027
Total	$3,234,143	$1,066,912	$204,340	$1,496,425	$466,466

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. While the service cost for each employee is targeted to remain level as a percentage of covered payroll, the service cost as a dollar amount would increase each year based on covered payroll. Additionally, the overall service cost may grow or shrink based on changes in the demographic makeup of the employees from year to year.

3. Total OPEB Liability and Net OPEB Liability

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. We calculated the Total OPEB Liability (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 as shown in the table on page 2.

Total OPEB Liability and Net OPEB Liability as of June 30, 2025 Valuation Date

	Total	*Certificated*	*Child Development Center*	*Classified*	*Management*
Active: Pre-65 Benefit	34,229,481	$11,266,045	$1,446,066	$16,867,955	$4,649,415
Active: Post-65 Benefit	$16,053,167	$5,982,756	$681,135	$6,934,630	$2,454,646
Subtotal	$50,282,648	$17,248,801	$2,127,201	$23,802,585	$7,104,061
Retiree: Pre-65 Benefit	$10,117,889	$1,876,701	$355,199	$6,025,914	$1,860,075
Retiree: Post-65 Benefit	$39,508,718	$15,748,967	$647,187	$16,647,023	$6,465,541
Subtotal	$49,626,607	$17,625,668	$1,002,386	$22,672,937	$8,325,616
Subtotal: Pre-65 Benefit	$44,347,370	$13,142,746	$1,801,265	$22,893,869	$6,509,490
Subtotal: Post-65 Benefit	$55,561,885	$21,731,723	$1,328,322	$23,581,653	$8,920,187
Total OPEB Liability (TOL)	$99,909,255	$34,874,469	$3,129,587	$46,475,522	$15,429,677
Fiduciary Net Position as of June 30, 2025	$73,318,225				
Net OPEB Liability (NOL)	$26,591,030				

4. "Pay As You Go" Projection of Retiree Benefit Payments

We used the actuarial assumptions shown in Part III and Appendix B 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 participants, 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*	*Child Development Center*	*Classified*	*Management*
2025	$6,455,617	$2,469,219	$109,859	$2,937,538	$939,001
2026	$7,013,911	$2,641,730	$149,209	$3,213,681	$1,009,291
2027	$7,357,450	$2,831,669	$161,010	$3,288,024	$1,076,747
2028	$7,713,055	$2,884,925	$182,240	$3,450,436	$1,195,454
2029	$7,857,763	$2,874,611	$180,653	$3,571,657	$1,230,842
2030	$7,818,667	$2,918,901	$212,421	$3,468,007	$1,219,338
2031	$8,172,542	$3,075,543	$247,236	$3,594,061	$1,255,702
2032	$8,812,383	$3,271,972	$268,060	$3,956,171	$1,316,180
2033	$9,373,956	$3,377,619	$296,948	$4,187,350	$1,512,039
2034	$9,536,644	$3,443,286	$286,639	$4,337,199	$1,469,520

G. Development of Employer Contribution Target

1. Reconciliation of Market Value of Assets

	FY 2024/25	FY 2023/24
Beginning Market Value of Assets	$65,255,781	$58,306,706
Employer Contributions	$6,030,020	$5,575,791
Fund Earnings	$8,218,150	$7,082,889
Benefit Payments	($6,030,020)	($5,575,791)
Administrative Expenses	($155,706)	($133,814)
Net Change	$8,062,444	$6,949,075
Ending Market Value of Assets	**$73,318,225**	**$65,255,781**

2. Unfunded Liability For Amortization

The table below presents the development of the unfunded liability for funding purposes. In determining the Employer Contribution Target, the unfunded liability is the excess of the Total OPEB Liability (TOL) over the actuarial value of assets.

	6/30/2025
Total OPEB liability	$99,909,255
Actuarial value of assets	($73,318,225)
Unfunded liability for amortization	$26,591,030

4. Amortization of the Unfunded Liability

The amortization of the unfunded liability component of the Employer Contribution Target is being amortized over a period of 13 years on a level-percentage of pay basis. Under the level-percentage of pay method, the amortization payment is scheduled to increase in future years based on wage inflation.

	6/30/2025
Unfunded liability for amortization	$26,591,030
Amortization factor	10.71683
Amortization payment of unfunded liability	$2,481,241

5. Contributions

The table below presents the development of the Employer Contribution Target for the fiscal year ending June 30, 2026 and for the fiscal years ending June 30, 2027.

	FY 2025/26
Service Cost	$3,234,143
Amortization payment of unfunded liability	$2,481,241
Interest assuming mid-year contributions	$178,606
Contribution	$5,893,990

	FY 2026/27
Service Cost	$3,323,082
Amortization payment of unfunded liability	$2,549,475
Interest assuming mid-year contributions	$183,517
Contribution	$6,056,074

G. Additional Reconciliation of Net OPEB Liability

The following table shows the reconciliation of the June 30, 2024 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2025 NOL. For some plans, it will provide additional detail and transparency beyond that shown in the table on Page 3.

	TOL	***FNP***	***NOL***
Balance at June 30, 2024	**$93,065,145**	**$65,255,781**	**$27,809,364**
Service Cost	$2,529,386	$0	$2,529,386
Interest on Total OPEB Liability	$5,705,415	$0	$5,705,415
Expected Investment Income	$0	$4,073,620	($4,073,620)
Administrative Expenses	$0	($155,706)	$155,706
Employee Contributions	$0	$0	$0
Employer Contributions to Trust	$0	$0	$0
Employer Contributions as Benefit Payments*	$0	$6,030,020	($6,030,020)
Actual Benefit Payments from Trust	$0	$0	$0
Actual Benefit Payments from Employer*	($6,030,020)	($6,030,020)	$0
Expected Minus Actual Benefit Payments	($56,381)	$0	($56,381)
Expected Balance at June 30, 2025	**$95,213,545**	**$69,173,695**	**$26,039,850**
Experience (Gains)/Losses	$4,695,710	$0	$4,695,710
Changes in Assumptions	$0	$0	$0
Changes in Benefit Terms	$0	$0	$0
Investment Gains/(Losses)	$0	$4,144,530	($4,144,530)
Other	$0	$0	$0
Net Change during 2025	$6,844,110	$8,062,444	($1,218,334)
Actual Balance at June 30, 2025	**$99,909,255**	**$73,318,225**	**$26,591,030**

* Includes $623,002 due to implied rate subsidy.

PART III: 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 Rancho Santiago Community College District to understand that the appropriateness of all selected actuarial assumptions and methods are Rancho Santiago Community College District's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on applicable actuarial standards of practice, Rancho Santiago Community College District's actual historical experience, and TCS's judgment based on experience and training.

A. ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: 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 a participant by participant basis and then aggregated.

SUBSTANTIVE PLAN: 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 Rancho Santiago Community College District regarding practices with respect to employer and employee contributions and other relevant factors.

EMPLOYER CONTRIBUTION TARGET PARAMETERS: While Rancho Santiago Community College District does not have a formal Board adopted funding policy. The Board annually evaluates the amount to contribute to the Trust taking into consideration the Employer Contribution Target determined in the Plan's actuarial funding valuation report and formally adopts a contribution amount for the current fiscal year. In keeping with the District's past practice, the Employer Contribution Target is calculated as the Service Cost plus an amortization of the Unfunded Liability over 13 years on a level percentage of pay basis. The 13-year period begins with the fiscal year ending June 30, 2026.

ACTUARIAL VALUE OF ASSETS: The market value of assets are used as the actuarial value of assets.

B. 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 2.50% 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 6.25% per year net of expenses. This is based on assumed long-term return on employer assets. We used the "Building Block Method". (See Appendix C for more information). Our assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq.

TREND: We assumed 4.00% 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.

C. NON-ECONOMIC ASSUMPTIONS:

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

MORTALITY

Participant Type	*Mortality Tables*
Certificated	2020 CalSTRS Mortality
Child Development Center	2020 CalSTRS Mortality
Classified	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Miscellaneous	2021 CalPERS Mortality for Miscellaneous and Schools Employees

RETIREMENT RATES

Employee Type	*Retirement Rate Tables*
Certificated	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates
Child Development Center	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates
Classified	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Schools Employees Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for School Employees
Management	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Schools Employees Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for School Employees

COSTS FOR RETIREE COVERAGE

Retiree liabilities are based on actual retiree premium plus an implicit rate subsidy of 42.1% 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.

Participant Type	*Future Retirees Pre-65*	*Future Retirees Post-65*
Certificated	Employer portion of premium: $23,438 Implied rate subsidy: $9,534	$11,267
Child Development Center	Employer portion of premium: $23,438 Implied rate subsidy: $9,534	$10,828
Classified	Employer portion of premium: $24,279 Implied rate subsidy: $9,761	$10,828
Management	Employer portion of premium: $24,705 Implied rate subsidy: $10,006	$11,725

PARTICIPATION RATES

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

TURNOVER

Employee Type	*Turnover Rate Tables*
Certificated	2020 CalSTRS Termination Rates
Child Development Center	2020 CalSTRS Termination Rates
Classified	2021 CalPERS Turnover for School Employees
Miscellaneous	2021 CalPERS Turnover for School Employees

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 100% 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.

AGING FACTORS

We used aging factors from "Health Care Costs - From Birth to Death" prepared by Dale Yamamoto and published in 2013 by the Society of Actuaries as part of the Health Care Cost Institute's Independent Report Series - Report 2013-1.

PART IV: APPENDICES

APPENDIX A: DEMOGRAPHIC DATA BY AGE

ELIGIBLE ACTIVE EMPLOYEES BY AGE AND EMPLOYEE CLASS

Age	*Total*	*Certificated*	*Child Development Center*	*Classified*	*Management*
Under 25	6	0	1	4	1
25 – 29	49	0	12	37	0
30 – 34	106	14	13	73	6
35 – 39	131	43	12	63	13
40 – 44	173	65	8	80	20
45 – 49	168	73	3	64	28
50 – 54	183	61	9	78	35
55 – 59	144	60	5	55	24
60 – 64	78	26	5	34	13
65 and older	28	10	0	15	3
Total	1066	352	68	503	143

ELIGIBLE ACTIVE EMPLOYEES WITH LIFETIME BENEFITS BY AGE AND EMPLOYEE CLASS

Age	*Total*	*Certificated*	*Child Development Center*	*Classified*	*Management*
Under 25	0	0	0	0	0
25 – 29	0	0	0	0	0
30 – 34	0	0	0	0	0
35 – 39	0	0	0	0	0
40 – 44	0	0	0	0	0
45 – 49	0	0	0	0	0
50 – 54	0	0	0	0	0
55 – 59	4	0	0	2	2
60 – 64	0	0	0	0	0
65 and older	1	1	0	0	0
Total	5	1	0	2	2

ELIGIBLE ACTIVE EMPLOYEES WITH BENEFITS TO AGE 70 BY AGE AND EMPLOYEE CLASS

Age	*Total*	*Certificated*	*Child Development Center*	*Classified*	*Management*
Under 25	6	0	1	4	1
25 – 29	49	0	12	37	0
30 – 34	106	14	13	73	6
35 – 39	131	43	12	63	13
40 – 44	173	65	8	80	20
45 – 49	168	73	3	64	28
50 – 54	183	61	9	78	35
55 – 59	140	60	5	53	22
60 – 64	78	26	5	34	13
65 and older	27	9	0	15	3
Total	1061	351	68	501	141

ELIGIBLE RETIREES BY AGE AND EMPLOYEE CLASS

Age	*Total*	*Certificated*	*Child Development Center*	*Classified*	*Management*
Under 50	0	0	0	0	0
50 – 54	5	0	1	4	0
55 – 59	16	4	0	7	5
60 – 64	58	14	2	35	7
65 – 69	106	39	2	54	11
70 – 74	52	12	1	25	14
75 – 79	62	31	0	23	8
80 – 84	79	46	2	20	11
85 – 89	34	24	1	7	2
90 and older	25	16	0	9	0
Total	437	186	9	184	58

ELIGIBLE RETIREES WITH LIFETIME BENEFITS BY AGE AND EMPLOYEE CLASS

Age	*Total*	*Certificated*	*Child Development Center*	*Classified*	*Management*
Under 50	0	0	0	0	0
50 – 54	0	0	0	0	0
55 – 59	1	0	0	0	1
60 – 64	7	0	0	4	3
65 – 69	27	4	2	17	4
70 – 74	50	12	1	25	12
75 – 79	62	31	0	23	8
80 – 84	79	46	2	20	11
85 – 89	34	24	1	7	2
90 and older	25	16	0	9	0
Total	285	133	6	105	41

ELIGIBLE RETIREES WITH BENEFITS TO AGE 70 BY AGE AND EMPLOYEE CLASS

Age	*Total*	*Certificated*	*Child Development Center*	*Classified*	*Management*
Under 50	0	0	0	0	0
50 – 54	5	0	1	4	0
55 – 59	15	4	0	7	4
60 – 64	51	14	2	31	4
65 – 69	79	35	0	37	7
70 – 74	2	0	0	0	2
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	152	53	3	79	17

APPENDIX B: ADDITIONAL DISCLOSURES

Additional Information to Part III Related to Assumptions and Other Inputs

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	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Disclosure	The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools 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	2020 CalSTRS Mortality
Disclosure	The mortality assumptions are based on the 2020 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 CalSTRS analysis.

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	2021 CalPERS 2.0%@62 Rates for School Employees
Disclosure	The retirement assumptions are based on the 2021 CalPERS 2.0%@62 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.

Retirement Table	2021 CalPERS 2.0%@55 Rates for Schools Employees
Disclosure	The retirement assumptions are based on the 2021 CalPERS 2.0%@55 Rates for Schools Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2020 CalSTRS 2.0%@60 Rates
Disclosure	The retirement assumptions are based on the 2020 CalSTRS 2.0%@60 Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2020 CalSTRS 2.0%@62 Rates
Disclosure	The retirement assumptions are based on the 2020 CalSTRS 2.0%@62 Rates table created by CalSTRS. CalSTRS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Tables

Turnover Table	2021 CalPERS Termination Rates for School Employees
Disclosure	The turnover assumptions are based on the 2021 CalPERS Turnover 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 Table	2020 CalSTRS Termination Rates
Disclosure	The turnover assumptions are based on the 2020 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.

Discount Rate

A discount rate of 6.25% was used in the valuation.

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

PARS - Balanced

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	60.0000	7.5450
Long-Term Corporate Bonds	5.0000	5.0450
Intermediate-Term Government Bonds	30.0000	4.2500
Short-Term Gov't Fixed	5.0000	3.0000

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.

Additional Net OPEB Liability Information

None.

APPENDIX C: 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.
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.
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.
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.
Pay As You Go Cost:	The projected benefit payments to retirees in a given year as estimated by the actuarial valuation. Actual benefit payments are likely to differ from these estimated amounts. For OPEB plans that do not pre-fund through an irrevocable trust, the Pay As You Go Cost serves as an estimated amount to budget for annual OPEB payments.
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 participants' 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.