Special Report

Submitted by

Peralta Community College District
Berkeley City College
College of Alameda
Laney College
Merritt College

To

Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges

April 1, 2013

Dr. José M. Ortiz, Chancellor

Certification of the April 1, 2013, Special Report

Date: April 1, 2013

To: Accrediting Commission for Community and Junior Colleges
Western Association of Schools and Colleges

From: Peralta Community College District
333 East Eighth Street
Oakland, CA 94606

This Special Report is submitted to the ACCJC/WASC in response to the February 5, 2013 ACCJC letter requesting an update to the Commission on the current status of the resolution of audit findings and district plans for funding of Other Post-Employment Benefits (OPEB) obligations.

We certify that this report prepared by the Vice Chancellor of Finance and Administration addresses the cited financial concerns and provides resolution to these financial concerns. This Special Report has been reviewed by the Chancellor, the four college Presidents, and the Governing Board and accurately documents the current status of the resolution of these fiscal concerns.

Signed:

Cy Gulassa Cy Gulassa	President, Governing Board, Peralta Community College District
Dr. José M. Ortiz	Chancellor Peralta Community College District
Deb L Budd Dr. Debbie Budd	President Berkeley City College
Dr. Jannett Jackson	President College of Alameda
Dr. Elñora Tena Webb	President Laney College
Dr. Norma Ambriz-Galaviz	President Merritt College

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Report Preparation

The Accrediting Commission for Community and Junior Colleges/Western Association of Schools and Colleges (ACCJC/WASC) in a December 18, 2012 letter advised the Peralta Community College District that the District had been referred to the Financial Review Process. The letter reported that the Financial Review Team was recommending that the Commission require a Special Report regarding two specific financial concerns (Audit Finding and OPEB funding).

In a letter dated February 5, 2013, ACCJC/WASC officially requested that a Special Report be filed electronically with ACCJC/WASC by April 1, 2013 addressing the two financial concerns. The letter also noted that “the Commission will consider the institution’s Special Report at its meeting, June 5-7, 2013.”

This Special Report has been prepared and submitted by the Peralta Community College District and its colleges: Berkeley City College, College of Alameda, Laney College, and Merritt College, providing information regarding the status of the resolution of audit findings and plans for the funding of Other Post-Employment Benefits (OPEB) obligations. Given that this Special Report addresses financial concerns, the Vice Chancellor of Finance and Administration prepared the responses provided in this report.

This Special Report has been reviewed by the Governing Board, the Chancellor, and the Chancellor’s Cabinet, specifically the four college presidents.

Response to the Commission Letter: Current Status of the Resolution of Audit Findings

The District shall provide excerpts from the 2011/12 audit report showing that the District has addressed the multiple 2010/11 audit findings, especially those that were repeated from prior years. If the report shows that the District has not resolved the persistent findings, the District should submit a plan that demonstrates how the findings will be resolved (Accreditation Standard III.D.2.f).

Response

The request to address the status and resolution of audit findings is similar to Commission Recommendation #2 cited in the July 2, 2012 ACCJC action letter. Commission Recommendation #2 stated,

"In accordance with Standard III.D.2.a, c, and g and Eligibility Requirement #18, the District needs to resolve outstanding audit findings identified in the Department of Education letter dated May 20, 2011 referring to Audit Control Number (CAN) 09-2009-10795. That letter identifies the findings for each of the four colleges as those findings relate to Department of Education areas of funded programs including Title IV and Financial Aid. Additionally, the District should resolve all audit findings in the Vavrinek, Trine, Day, & Co. LLP, Certified Public Accountants' audit reports for years 2008, 2009, and future audit reports issued after the date of this recommendation."
"*Although the District has resolved a significant number of the audit findings from prior audits, a number of audit findings remain unresolved. The remaining audit findings need to be resolved by March 15, 2013.*"

The response and update to Commission Recommendation #2 has been included in the March 15, 2013 Follow-Up Reports from Berkeley City College, College of Alameda, Laney College, and Merritt College respectively, as well as in this Special Report for the Financial Review Process.

The District continues to make significant progress towards resolving all outstanding audit findings noted within the annual audited financial reports for the last four fiscal years (2009, 2010, 2011, and 2012). Audit findings typically represent items the external auditors have determined, through the course of conducting their audit, involve deficiencies in internal controls that could result in material misstatements in the District's financial statements. The major types of audit findings are: 1) financial accounting and reporting, 2) non-compliance with Federal Single Audit requirements, and 3) non-compliance with State program laws and regulations.

Further, audit findings are then classified in terms of severity either as Material Weaknesses (most severe) or Significant Deficiencies (least severe).

The table below provides an overview of the number and types of findings reported within the last four annual financial reports.

Types and Classification of Findings - 4 Year History				
Type of Audit Findings	**2011-12**	**2010-11**	**2009-10**	**2008-09**
Financial Accounting and Reporting Audit Findings	0	12	25	30
Single Audit Findings	4	7	9	13
State Compliance Audit Findings	4	4	7	10
Total Audit Findings	8	23	41	53
Classification of Audit Findings				
Material Weaknesses	0	5	17	19
Significant Deficiencies	8	18	24	34
Total Audit Findings	8	23	41	53

Contained within the District's June 30, 2012 Annual Financial Report is a section labeled "Schedule of Findings and Questioned Costs." This section contains eight audit findings identified by the District's external auditors as instances of noncompliance with either state or federal funding terms or conditions. Unlike previous years, the District did not have any Financial Accounting or Reporting Findings during fiscal year 2012. Of these eight 2012 audit findings, four are carryover findings from previous fiscal years.

As has been the practice over the last two fiscal years, the District continues to track and monitor the status and progress made on each of the 8 existing audit findings through the use of a Corrective Action Matrix (CAM). The CAM is a living document; it is constantly changing to reflect the status and continual progress made toward resolving the various findings. The CAM is also used as a tool to assign accountability and responsibility (Responsibility/Point) to managers for implementing corrective action specific to each audit finding within a defined time frame (Due Date). The CAM dated January 3, 2013, is provided below.

Columns contained in the CAM that may be of greatest interest are the Corrective Action, Due Date, and Status columns. The Corrective Action column contains excerpts directly from the audit report in which the auditor is providing potential solutions to the District. The Due Date column contains the estimated date that the District expects to have the corrective actions in place and resolution to the finding. And lastly, the Status column provides a brief summary of where the District is at as of the CAM date, on implementing the corrective action. It should be noted that all of the corrective actions for the eight audit findings have been or are projected to be fully implemented prior to March 15, 2013.

2011-12 Audit Findings					
Audit Finding Number	**Corrective Action**	**Responsibility/Point**	**Due Date**	**Status**	**Systematic/Source Integration**
2012-1 TIME AND EFFORT REPORTING Prior year audit finding 2011-14	Develop procedures and controls over compliance, specifying how and when time certification processes are to be completed.	Responsible: Vice Chancellor for Finance and Administration Point: Associate Vice Chancellor for Finance	February 28, 2013	The District has developed the necessary procedures and provided training. The cause for the reoccurrence of this audit finding is due to time and effort certifications not being completed and submitted in a timely manner to the Finance Department. As a result, timelines have been added to existing procedures and additional trainings provided on an ongoing basis.	Currently performed manually with future plans to automate through the implementation of a time and effort module. The implementation will begin after the PeopleSoft Upgrade project has concluded (projected for spring 2013).
2012-2 PROCUREMENT, SUSPENSION, AND DEBARMENT Prior year audit finding 2011-15	Verify entities contracted with for services are not suspended or debarred.	Responsible: Vice Chancellor for Finance and Administration Point: Director of Purchasing	January 31, 2013	The District has implemented a procedure in which verification of the entities contracted with for services are not suspended, debarred, or otherwise excluded from providing services. Completed	Procedure created and implemented. Training and evaluation is ongoing.

Audit Finding Number	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2012-3 FINANCIAL REPORTING	Develop and implement procedures to ensure all financial reports are reviewed at the District prior to submission to the granting agencies.	Responsible: Vice Chancellor for Finance and Administration Point: Associate Vice Chancellor for Finance	January 31, 2013	Procedures completed and implemented. Completed.	Procedures and calendars have been developed and input sought by constituents, training has been held to educate users on the appropriate procedures.
2012-4 EQUIPMENT MANAGEMENT Prior year audit finding 2011-17	With the newly developed procedures in place and bi-annual inventory taken, procedures have been implemented that distinctively tag equipment purchased with federal grant funds.	Responsible: Vice Chancellor for Finance and Administration Point: Director of Purchasing	February 28, 2013	Procedures have been developed and implemented. Special and unique inventory tags have been procured and are being placed on equipment purchased with federal funds. Completed.	Operational procedures have been developed have been implemented.
2012-5 STUDENTS ACTIVELY ENROLLED Prior year audit finding 2011-20	Procedures written to allow the Admissions and Records Office to identify the rosters that were not properly turned in by instructors. The Admissions and Records Office will follow up with instructors on requirements to identify students who are not enrolled.	Responsible: Chancellor Point: Vice Chancellor of Educational Services, Vice Chancellor of Student Services and Vice Chancellor for Finance and Administration	March 15, 2013	Procedures have been developed and implemented that allow Admission and Records Office to identify the rosters that have and have not been turned in by the instructors to determine completeness and accuracy. Per the procedures, follow up action is then initiated by the Department of Educational Services to college administration. Completed.	Training by Staff Development Coordinator of Faculty on the correct use of rosters and grade reports. Regular follow up with instructional staff and administration on the campus. Regular reports distributed to Presidents.

Audit Finding Number	Corrective Action	Responsibility/Point	Due Date	Status	Systematic/Source Integration
2012-6 CONCURRENT ENROLLMENT	Update Admissions and Records system and processes so that all special admit/concurrent enrollment forms are properly retained and filed for inspection and review.	Responsible: Chancellor Point: Vice Chancellor of Educational Services	March 15, 2013	Departmental procedures and processes have been developed and have been implemented to ensure all supporting documents are retained and on filed. Completed.	Procedures developed and implemented.
2012-7 RESIDENCY DETERMINATION FOR CREDIT COURSES	The District should implement a procedure within Admissions and Records that effectively monitors the information provided by students through the CCCApply program to ensure that all students' residency determination are properly reported.	Responsible: Chancellor Point: Vice Chancellor of Educational Services	March 15, 2013	The District has implemented procedures within Admissions and Records that effectively monitor the information provided by CCCApply to ensure that all students' residency status are properly reported and documented. Completed.	Procedures developed and implemented.
2012-8 CALWORKS – REPORTING	Existing procedures are currently being reevaluated for internal control purposes.	Responsible: Chancellor Point: Vice Chancellor for Finance and Administration	February 28, 2013	Procedures have been assessed for points of failure and new controls have been implemented that will ensure all reports are reconciled to the general ledger prior to submission to the State. Completed.	Procedures have been evaluated and assessed. Changes have been incorporated to prevent the reoccurrence of this audit finding.

The District is confident that with time and devoted resources it will continue to fully implement solutions to correct all future audit findings that may arise, in a manner similar to the progress that has been made within the last 28 months. Further and perhaps most importantly, the District strongly believes that it has demonstrated that the institutional culture is now one of recognizing the value of audit findings as a form of annual assessment and continuous improvement.

Evidence

1. Annual Financial Audit Report 2009
2. Annual Financial Audit Report 2010
3. Single Audit Report 2010
4. Annual Financial Audit Report 2011
5. Annual Financial Audit Report 2012
6. 2011 Audit Schedule Planning document
7. Board 11-10-11 Special Workshop Agenda
8. Board Retreat Audit Training PPT 11-10-11
9. Asset Management Module Implementation 7-19-11
10. Asset Management Implementation 9-27-11
11. 311-A, 9-27-11
12. 311-A, 10-09-12
13. Department of Education and Report – May 20, 2011
14. VTD Audit Completion/ Confirmation Letter 12-27-11
15. Measure A General Obligation Bonds 2010 Audit Report
16. Measure A General Obligation Bonds 2011 Audit Report
17. Measure A General Obligation Bonds 2012 Audit Report
18. Department of Education Letter dated March 6, 2013
19. Operational procedures from the Department of Educational Services

All the above Evidence documents can be accessed at the following web site:
http://web.peralta.edu/business/april-2013-special-report/

Response to the Commission Letter: District Plans for the Funding of Other Post-Employment Benefits (OPEB) Obligations

The District shall provide a report that clearly states the District's plan for funding its OPEB obligations, including an assessment of the OPEB bonds and the increasing debt service required (Accreditation Standard III.D.3.c).

Response

The request to address District plans for the funding of Other Post-Employment Benefits (OPEB) obligations is similar to Commission Recommendation #1 cited in the June 30, 2011 ACCJC letter and which was responded to in the March 15, 2012 Peralta Community College District Follow-Up Report. Specifically, Commission Recommendation #1 stated,

"The District has identified several options to address the OPEB liability without stating which option it intends to pursue. In accordance with Standard III.D.1, b and c, and Eligibility Requirement #17, the District needs to identify the amount of obligation that currently exists as a result of the activities related to the OPEB loss and establish a plan and timeline that reflects how the District will pay off any liability that may have resulted from the OPEB bonds."

The District's Other Post-Employment Benefits (OPEB) plan, in terms of recognition and funding of liabilities, is complex due to the nature in which the District initially proposed to fund the actuarial liability. Ultimately, the major OPEB program drivers are benefits provided to retirees both on the pay-as-you go basis and amortized future costs, debt service related to both the OPEB bonds sold and related SWAP agreements, annual and cumulative investment returns on the funds currently in the OPEB Trust, and finally, the OPEB Charge. To memorialize the District's overall strategic and tactical plan to address the OPEB program a Substantive Plan has been created. The PCCD – OPEB Substantive Plan was created by the District Finance Department, has been approved by the OPEB Retirement Board and shared with the Planning and Budgeting Council (District shared governance committee). This plan provides the current road map used by the District to fund and sustain the OPEB program and associated liabilities. Much of this response has been taken directly from the Substantive Plan. The Substantive Plan in its entirety has been included as Evidence.

Other Post-Employment Benefits – Level of Benefits Provided

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

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

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

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

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

The District and all three collective bargaining units also agreed upon the maximum contribution the District will pay for dental benefits. The District currently provides two dental plans, one with Delta Dental and the other with United Healthcare Dental. For all employees, the maximum District paid benefit is limited to the United Healthcare Dental family rate. For fiscal year 2012-13 the rates are:

Dental Coverage for Managers & Confidentials (Except Confidentials who elected furlough)			Dental Coverage for Regular Represented Employees in Local 39, 1021, and PFT	
Single Party Coverage	Delta Dental	United Health Care Dental	Delta Dental	United Health Care Dental
Employee Pays	47.34	0.00	0.00	0.00
Peralta Pays	26.95	26.95	74.29	26.95
Total Cost	74.29	26.95	74.29	26.95
Two- Party Coverage	Delta Dental	United Health Care Dental	Delta Dental	United Health Care Dental
Employee Pays	83.19	0.00	0.00	0.00
Peralta Pays	43.11	43.11	126.30	43.11
Total Cost	126.30	43.11	126.30	43.11
Family Coverage	Delta Dental	United Health Care Dental	Delta Dental	United Health Care Dental
Employee Pays	127.48	0.00	0.00	0.00
Peralta Pays	65.69	65.69	193.17	65.69
Total Cost	193.17	65.69	193.17	65.69

With the incorporation of these plan design changes, employee contributions, and the District paid cap, the annual projected savings to the District is approximately $500,000. In addition to this annual savings, the District also will realize a long-term savings (or reduction in the long-term liability) as reflected in the reduction of the actuarial determined Other-Post Employment Benefit (OPEB) liability. Prior to these changes, the District's actuarial determined OPEB liability was approximately $221 million. With these changes incorporated into the actuarial valuation, among other changes, the District's liability is $182.8 million as of June 30, 2013. This represents a 17% reduction.

Debt Service Restructurings

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

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

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

After fiscal year 2017, the average annual increase in debt service will be approximately 3%. Due to this refunding, the District's unrestricted general fund will save approximately $29 million in debt service payments over this six-year period. After fiscal year 2017, the District plans to offset any escalation in debt service with funds held in the trust and potentially refunding (at that time) to lessen the debt service burden on the Unrestricted General Fund.

Plan Structure

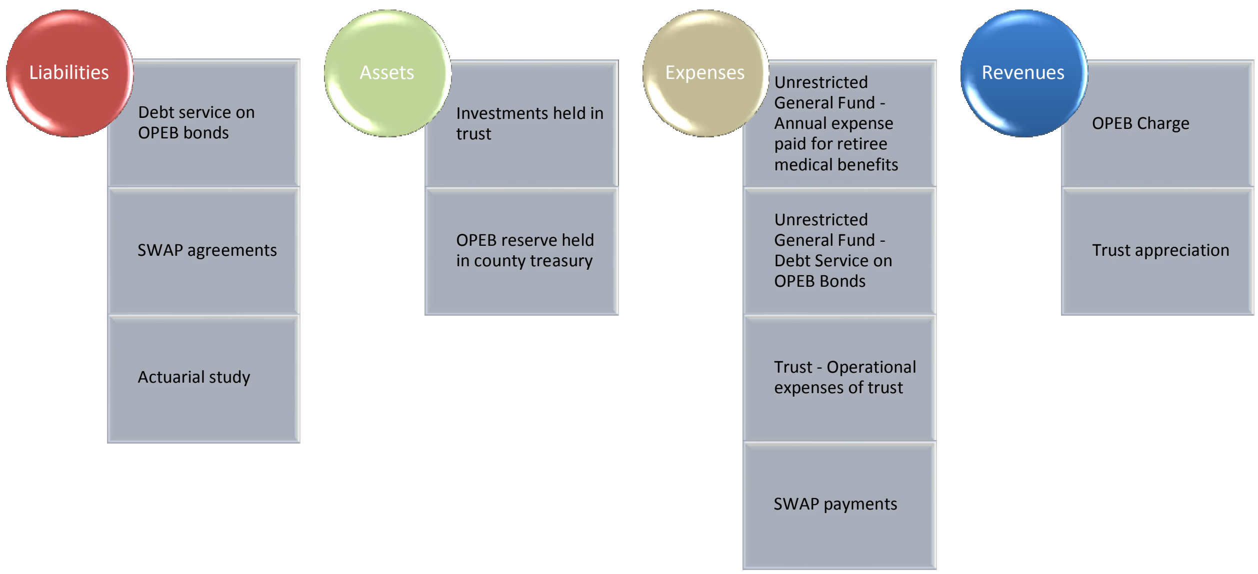
The revised OPEB plan structure consists of four basic elements. The first element is the associated liabilities. These liabilities consist of the debt service associated with the bonds sold to fund the revocable trust, the six tranches of SWAP agreements, and lastly the actuarial study projecting the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

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

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

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

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

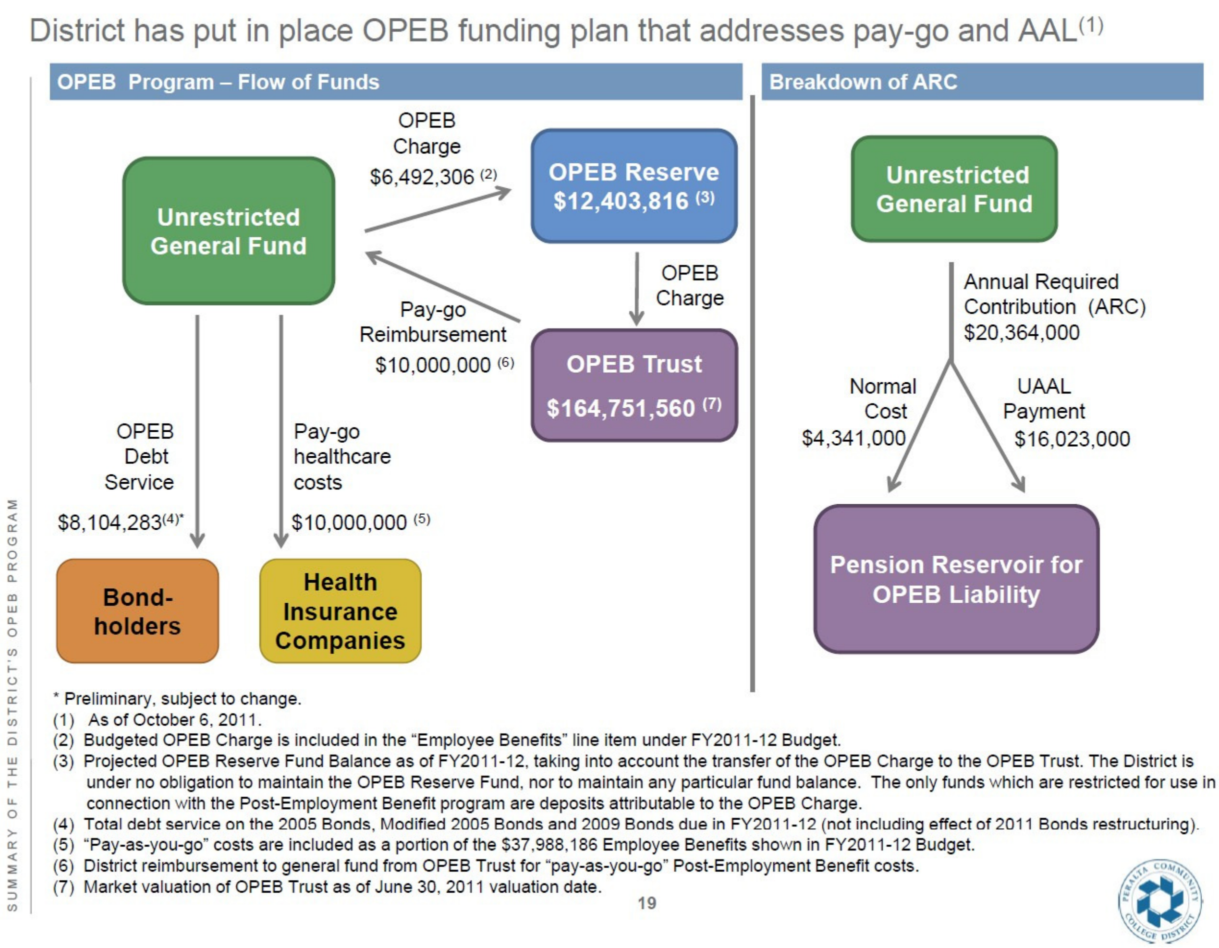


Central to the long term sustainability and funding of the OPEB Program, as outlined in the elements above, is for the revenues (OPEB Charge and Trust appreciation) to be able to support the annual expenses of the trust as well as to fund the long term liabilities, i.e. Actuarial Accrued Liability (AAL).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

Beginning in fiscal year 2010-11, the District implemented an OPEB Charge (Evidence GASB 45 Accounting Advisory issued by the State Chancellor's Office and letter from the California Department of Education on new financial reporting requirements) to supplement funds available in the OPEB Trust to pay for Other Post-Employment Benefits. The OPEB Charge is a uniformly applied District-paid charge to all programs and is a function of the current projected Annual Required Contribution (ARC) calculated as a percentage of payroll for all OPEB eligible active employees.

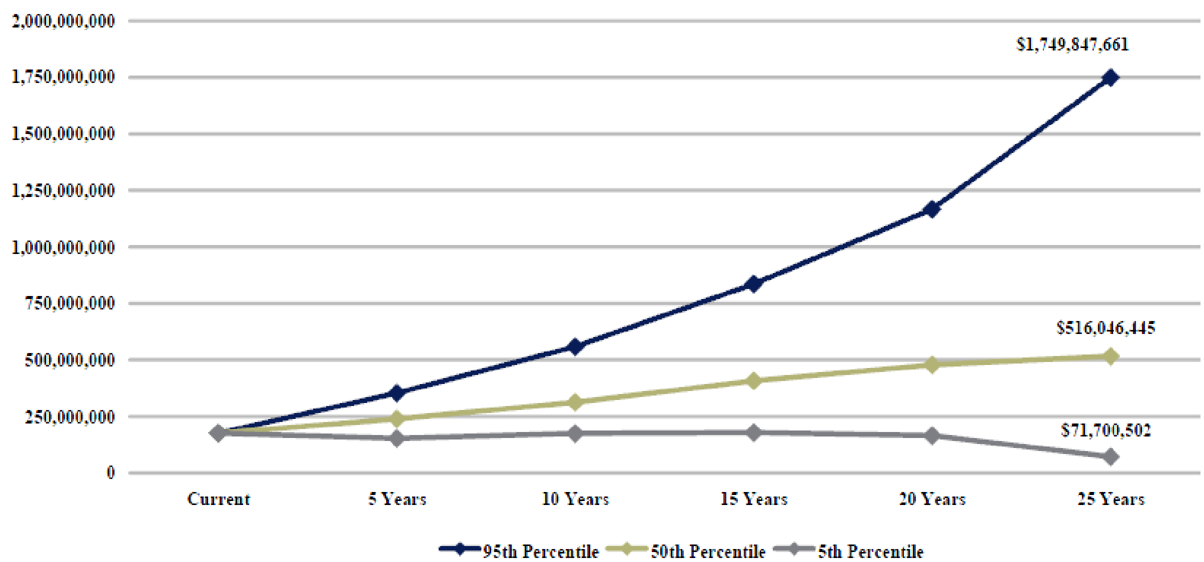
The funds, to which the OPEB Charge is applied each fiscal year is accounted for in the OPEB Reserve Fund. At the end of each fiscal year, such amounts will be transferred to the OPEB Trust to be invested in accordance with the Investment Policy Statement, applied to satisfy the Normal Cost and the unfunded past-service liability of active employees of the District. For fiscal year 2011-12, the OPEB Charge resulted in approximately $7 million of additional deposits into the OPEB Trust. Based upon the actuarial study dated March 21, 2011, the OPEB Charge was increased from 12.9% to 14% and is expected to result in approximately $7 million in deposits to the OPEB Trust during fiscal year 2012-13. The District estimates that the OPEB Charge will, over the course of a 25-year period, result in approximately $150 million of deposits to the OPEB Trust, not including any interest earnings or appreciation through investments. Going forward, the District will continue to provide for and incorporate into its annual budget development assumptions the collection of the OPEB Charge.

The illustration below displays the relationships between the General Fund, OPEB Reserve Fund and the OPEB Trust. The arrows and values represent the flow of funds for the fiscal year ending June 30, 2011. This illustration was also presented to bond rating agencies, as well provided in District's response to recommendation number one in its March 15, 2012 report to the ACCJC.



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

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



Nominal $

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

Real $, Adjusted for 2.5% Expected Inflation

	Current	5 Year	10 Year	15 Year	20 Year	25 Year
95th Percentile	$175,770,516	$312,752,874	$436,415,020	$577,443,349	$711,879,912	$943,851,362
50th Percentile	$175,770,516	$211,312,552	$244,652,720	$281,044,420	$291,686,138	$278,350,596
5th Percentile	$175,770,516	$135,527,649	$136,424,077	$123,705,653	$100,977,488	$38,674,576

Assuming a 7.1% average annual return on the assets held within the trust, an annual medical expense costs increase between 6.2 and 7.2% over the next 25 years (consistent with the most recent actuarial study), and with the OPEB Charge consistently applied, the estimated current value of the assets held in the trust is $278,350,596. This is $96 million greater than the AAL of

$182,776,103 as of June 30, 2013. It is anticipated that any valuation in excess of the AAL will be used to satisfy the OPEB bond debt service obligations, which is consistent with the OPEB bond indentures and the trust agreement.

Conclusion

Beginning in fiscal year 2011, the District made substantial and critical changes on how it valued and funded its OPEB liabilities and related debt. In its effort to manage and reduce liabilities the District has: successfully negotiated with collective bargaining units to place maximums or caps on District paid health benefit plans, implemented an OPEB charge that brings new revenue into the OPEB trust, changed its investment policy statement such that it matches the targeted rate of return with the OPEB liability, and restructured the program oversight to one that provides more transparency and accountability. As a direct result of these accomplishments over the last two years the actuarial value of the OPEB liabilities have decreased $39 million, trust assets have increased by $50 million and related debt service has been held to approximately 5% of the Unrestricted General Fund. Further, as time progresses all debt service will be funded out of trust assets that are in excess of the actuarial liabilities. For example, as of March 1, 2013 the actuarial liability was determined to be $182.8 million compared to trust assets of $186.8 million. In time, as the difference between the liabilities and trust assets widen, the assets in excess of liabilities could be used to fund partially or fully the related debt service. As the evidence within this two year window suggests, the District's plans have thus far been successful and over the course of the next 25 years are projected to fully fund all associated liabilities.

Evidence

1. Retirement Board Website
2. Peralta CCD – OPEB Substantive Plan
3. PCCD – Actuarial Study of Retiree Health Liabilities, dated March 1, 2013
4. PCCD – Investment Performance Review as of December 31, 2012
5. OPEB Presentation to the Board – March 29, 2011
6. OPEB Final Report – June 28, 2011- KNN
7. OPEB Definitions – June 28, 2011
8. OPEB Report Appendices – June 28, 2011
9. Board Resolution to Establish the Retirement Board – March 29, 2011
10. OPEB Trust Structure
11. General OPEB Plan Structure
12. Investment Policy as of March 29, 2011
13. Investment Strategy and Asset Allocation – September 2011 (1 of 3)
14. Investment Strategy and Asset Allocation – September 2011 (2 of 3)
15. Investment Strategy and Asset Allocation – September 2011 (3 or 3)
16. OPEB PCCD Summary Performance Slide – August 2011
17. OPEB Simulation Memo – May 2011
18. OPEB Scenarios as of 7-20-11
19. PCCD 2011 OPEB Refunding – September 9, 2011- Financing Schedule

20. PCCD GASB 45 Actuarial Valuation Final Results – June 30, 2010
21. Peralta 6-30-11 Portfolio Performance
22. Peralta 6-30-11 SRI Portfolio Performance
23. Peralta Monte Carlo and OPEB 5-10-2011
24. 2011 – Taxable Revenue Bonds – Investor Presentation October 10, 2011
25. NB Trust Company Report for Peralta 7-20-11
26. Sale of 2011 OPEB Refunding Bonds 9-27-11
27. Retirement Board Agenda 4-13-11
28. Retirement Board Agenda 5-11-11
29. Retirement Board Agenda 6-15-11
30. Retirement Board Agenda 7-11-11
31. Retirement Board Agenda 7-14-11
32. Retirement Board Agenda 7-20-11
33. Retirement Board Agenda 7-27-11
34. Retirement Board Agenda 8-20-11
35. Retirement Board Agenda 9-14-11
36. Retirement Board Agenda 10-13-11
37. Retirement Board Agenda 11-17-11
38. Board of Trustees Final Agenda 9-27-11
39. Neuberger Berman 9-14-11 Peralta Review
40. Retirement Board By-Laws 6-28-11
41. Retirement Board Advisory Committees
42. Peralta OPEB Investment Policy 6-30-2011
43. Peralta Socially Responsive Investing
44. Bartel and Associates Contract Extension
45. Bond and Disclosure Counsel Services RFQ
46. Bond Underwriting Services
47. Bond and Disclosure Counsel Services- Stradling, Yocca, Carlson, and Rauth
48. Peralta Community Colleges District Rating Letter 10-04-11
49. Peralta Community Colleges District Rating Report 10-04-11
50. Peralta CCD - Investor Presentation (10-10-11)
51. Retirement Board Agenda, December 8, 2011
52. Retirement Board Agenda January 26, 2012.

All the above Evidence documents can be accessed at the following web site:
http://web.peralta.edu/business/april-2013-special-report/