CITY OF MARTINEZ **CITY COUNCIL AGENDA**
June 19, 2013

TO:	Mayor and City Council
FROM:	Alan Shear, Assistant City Manager Cathy Spinella, Finance Manager
SUBJECT:	January 1, 2013 OPEB Actuarial Valuation
DATE:	June 12, 2013

RECOMMENDATION:

Receive and file the January 1, 2013, Other Post Employment Benefits (OPEB) Actuarial Valuation Report.

BACKGROUND:

The Governmental Accounting Standards Board (GASB) issued GASB Statement 45 in order to provide more complete, reliable, and useful financial reporting. This includes reporting of the costs and financial obligations that governments incur when they provide post-employment benefits, the most common being medical, as part of the compensation for services rendered by their employees. Since the City offers medical benefits to its retirees, the City needed to comply with GASB 45 and therefore, on May 19, 2008 the City established an irrevocable trust with the California Employers' Retiree Benefit Trust (CERBT) and contributed $4 million from reserves the City started in 2002.

In November 2012, staff engaged Bickmore Consulting to prepare the City's actuarial report as required by GASB 45 for determining the annual OPEB expense for Fiscal Year 2013-14. The results of the actuarial report indicate that the GASB 45 actuarial accrued liability (AAL) to be $16,612,936. The City reported assets in CERBT as of January 1, 2013 of $6,667,146 to offset these liabilities. Thus, the unfunded accrued liability as of this date is $9,945,790. This liability is created based on the retiree benefit plans described below.

Miscellaneous (Local 324; MPNSEA; Management) Employees:
Miscellaneous employees are not permitted to retain coverage in City sponsored plans. The City subsidizes medical premiums for retirees and their spouse with a monthly reimbursement check paid to the retiree. Retirees who qualify for reimbursement must find their own medical plan. Reimbursement is based on the cost of the least costly retiree medical plan. The plan does not mimic the medical plan of active employees. At this time the least costly plan is Kaiser and has a $1,500 deductable, $30 per visit charge, lab and x-ray tests $10 per encounter, $500 per day hospitalization, $150 per emergency room visit and $10-$70 for prescriptions. The percent received is based on years of service with 25+ years receiving 100% of this retiree medical plan.

Spouses don't receive the reimbursement if the retiree is deceased. The attached report shows the annual cost for each miscellaneous active employee to be $3,581 for this valuation reporting period.

Safety (MPOA; Sworn Management) Employees:

Safety employees receive benefits through a City sponsored plan with CalPERS, same as active employees. Coverage includes the employee, spouse and dependents until the age of 26. There are no years of service required to qualify for retiree health and the benefit is for life. The attached report shows the annual cost for each safety active employee to be $17,263 for this valuation reporting period.

The City has been fully funding its annual required contribution (ARC) for its OPEB since establishing the trust in 2008.

The Budget Subcommittee met on April 15, 2013 and recommended forwarding to the City Council.

FISCAL IMPACT:

The annual required contribution (ARC) for Fiscal Year 2013-14 is $1,073,620. Of this amount $958,213 is estimated to be the pay-as-you-go current retiree benefits and the balance of $115,407 will be contributed to the trust. Funding has been incorporated in the Biennial Budget.

ACTION:

Motion accepting the January 1, 2013 OPEB Valuation Report.

Attachment:
Actuarial Valuation Report as of January 1, 2013

APPROVED BY:
City Manager

Bickmore

April 2, 2013

Mr. Alan Shear
Assistant City Manager
City of Martinez
525 Henrietta Street
Martinez, CA 94553

Re: January 1, 2013 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Alan:

We are pleased to enclose our report providing the results of the January 1, 2013 actuarial valuation of other post-employment benefit (OPEB) liabilities for the City of Martinez (the City). The report's text describes our analysis and assumptions in detail.

This valuation was prepared with the understanding that:

- The results of this valuation will be applied to determine the annual OPEB expense for the City's fiscal year ending June 30, 2014.
- The City will continue to follow its previously established policy of prefunding OPEB liabilities through the irrevocable trust account with the California Employers' Retiree Benefit Trust (CERBT).
- The City has adopted CERBT asset allocation Strategy 1 with no Margin for Adverse Deviation. Accordingly, liabilities were calculated based on a 7.61% discount rate, as permitted by CERBT.
- The City will continue to follow its existing PEMHCA resolutions on file with CalPERS (executed in 2005) and other benefit provisions as outlined in the Retiree Health Language provided to Bickmore. We encourage the City to review Table 3A to be certain we have summarized the benefits correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the City's staff, who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA
Director, Health and Benefit Actuarial Services

Enclosure

Bickmore

City of Martinez

Actuarial Valuation of Other Post-Employment Benefit Programs as of January 1, 2013

Submitted April 2013

Table of Contents

A. Executive Summary

This report presents the results of the January 1, 2013 actuarial valuation of the City of Martinez (the City) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical and dental coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

The City is prefunding its OPEB obligations by consistently making contributions greater than or equal to the Annual Required Contribution (ARC) each year. As was the case in the most recent prior valuation, this valuation was prepared using a 7.61% discount rate. This rate reflects the asset allocation strategy selected by the City for their assets, which are invested in the California Employers' Retiree Benefit Trust (CERBT). Use of this rate is not a guarantee of future investment performance, but rather an assumption about the expected long term rate of return.

Exhibits presented in this report are based on the following assumptions:

- The results of the January 1, 2013 valuation will be applied in determining the annual OPEB expense for the fiscal year ending June 30, 2014.
- The ARC for the fiscal year ending June 30, 2013 will be developed from the results of the June 30, 2011 valuation and the City will report a net OPEB obligation of $(4,288,798) on June 30, 2013.

We calculate the GASB 45 actuarial accrued liability (AAL) to be $16,612,936 and the normal cost to be $394,111 as of January 1, 2013. The City reported assets in CERBT as of January 1, 2013 of $6,667,146 to offset these liabilities. Thus, the unfunded accrued liability as of this date is $9,945,790 and the funded ratio is 40.1%. These results have been adjusted to be applicable to the years for which the annual OPEB expense will be developed.

Assuming the City continues to follow its previously established policy of prefunding its OPEB liabilities, the following summarizes results for the fiscal year ending June 30, 2014:

- We calculate the annual required contribution (ARC) to be $1,073,620.
- City contributions are assumed to equal the ARC. We project that the City will pay retiree benefits of $958,213 during the period and contribute the balance of the ARC to CERBT.
- Based on the calculations and contributions described above, we project a net OPEB obligation of $(4,318,083) on June 30, 2014.

These results are shown in tables beginning on page 11.

The liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. To the extent that actual experience is not what we assumed, future results will be different. We also note that this valuation has been prepared on a closed group basis; no provision is made for new employees.

Executive Summary (Concluded)

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages.

The next valuation is scheduled to be prepared as of July 1, 2013 as required for continued participation in CERBT.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the City implemented GASB 45 for the fiscal year ended June 30, 2008.

GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the City's OPEB contributions equal the ARC each year, the net OPEB obligation will equal $0.
- If the City's actual contribution is less than (greater than) the ARC in any year, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C).

The decision whether or not to prefund, and at what level, is at the discretion of the City, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the City's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

We note that various issues in this report may involve legal analysis of applicable law or regulations. The City should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the City consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

C. Sources of OPEB Liabilities

General types of benefits and liabilities: Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription drug
- Vision
- Life insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave or COBRA benefits, which fall under other GASB accounting statements. *Please see the section below for a description of the specific benefits provided by the City.*

A direct employer payment toward the cost of OPEB is referred to as an "explicit" subsidy and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical, payment of the same premium rate results in an "implicit subsidy" of retiree claims by active employee premiums since the retiree premiums are lower than they would have been if the retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Exceptions may exist when the plan is part of a "community-rated" program. GASB guidance indicates that an agency whose membership is a small portion (in the neighborhood of 1%) of the total coverage of a multiple employer plan, may reasonably conclude that any change in their group's mix of retirees and active employees would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

OPEB Obligations of the City: The City provides continuation of medical and dental to its retiring employees. For retirees and their dependent(s) who retain this coverage:

- **Explicit subsidy liabilities**: The City contributes directly to the cost of retiree coverage. The benefits are described in Table 3 and liabilities have been included in this valuation.
- **Implicit subsidy liabilities**:
  - We believe no implicit liability exists with respect to dental benefits provided to retirees, or that it is insignificant.
  - The City's safety employees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated and the City's membership in this program is incidental relative to the total number of members covered. This report, therefore, does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.
  - City miscellaneous retirees who are entitled to a subsidy toward coverage are required to find their own healthcare coverage. Thus no implicit subsidy liability exists with respect to these retirees.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in December 2012 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that it is reasonable in various respects, the data has not been audited and we have otherwise relied on the City as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3, based on information supplied to Bickmore by the City. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In the specific development of the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. We then calculate a present value of these benefits as of the valuation date.

- These present value determinations discount the value of each future expected benefit payment back to the valuation date, using the discount rate. The present value calculations also reflect assumptions for the likelihood that an employee may not continue in service with the City to receive benefits.
- For those that do, appropriate assumptions are made to reflect the probability of retirement at various ages.
- After reduction for the probability an employee may not receive a benefit, for the remaining probability he or she does, those benefits reflect assumptions as to whether they will elect coverage for themselves and/or dependents.
- The cost of benefits payable, once they begin for each employee, reflect expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefits will cease.
- These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 70 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The amount of future OPEB cost allocated to the current year is referred to as the "normal cost". The remaining cost to be assigned to future years is called the "present value of future normal costs".

In summary:

Actuarial Accrued Liability	Past Years' Active/Retiree Costs
plus Normal Cost	Current Year's Active Cost
<u>*plus* Present Value of Future Normal Costs</u>	<u>Future Years' Active Costs</u>
equals Present Value of Future Benefits	Total Benefit Costs

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. The value of assets invested in the City's CERBT account on January 1, 2013 was reported to be $6,667,146. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

The following chart compares the results of the January 1, 2013 valuation of OPEB liabilities (Column 2) to the results of the June 30, 2011 valuation (Column 1).

	Prefunding Basis	
Valuation date	**6/30/2011**	**1/1/2013**
Discount rate	7.61%	7.61%
Number of Covered Employees		
Actives	128	125
Retirees	78	84
Total Participants	206	209
Actuarial Present Value of Projected Benefits		
Actives	$ 9,971,000	$ 9,601,845
Retirees	9,639,000	10,570,661
Total APVPB	19,610,000	20,172,506
Actuarial Accrued Liability (AAL)		
Actives	6,095,000	6,042,275
Retirees	9,639,000	10,570,661
Total AAL	15,734,000	16,612,936
Actuarial Value of Assets	4,990,000	6,667,146
Unfunded AAL (UAAL)	10,744,000	9,945,790
Normal Cost	468,000	394,111
Benefit Payments		
Actives (in retirement)	-	53,859
Retirees	748,000	863,275
Total	748,000	917,134

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 40.1% as of January 1, 2013. Covered payroll as of January 1, 2013 was reported to be $9,802,211. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 101.5% as of this date.

Changes Since the Prior Valuation

Although we made some minor modifications in some of the assumptions used, those changes tended to be offsetting and the results of this valuation line up well with what we would expect based on the prior valuation. A brief comparison of changes is included at the end of Table 4 (Actuarial Methods and Assumptions). The present value of projected benefits increased for retirees, consistent with the increase in the number of retirees, with the opposite also true for actives employees.

Basic Valuation Results (Concluded)

We did, however, change the way the assets were valued, reverting back to using the market value of assets, rather than using a smoothed value over a rolling 5 year period. The affect of this change was roughly a 5% decrease in the unfunded actuarial accrued liability relative to what otherwise would have occurred.

F. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. Contributing an amount greater than or equal to the ARC each year is referred to as “prefunding”. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, which in turn lowers the liability. In addition, following a prefunding policy does not build up a net OPEB obligation because the contribution equals or exceeds the annual OPEB cost each year.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the City’s fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ARC for the fiscal year ending June 30, 2014 is developed in Table 1B.

Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted, where the expected employer contribution is shown as the interest-adjusted sum of the normal cost and the entire amount of the unfunded accrued liability. Expected contributions in future years are then reduced to the expected normal cost (as a percentage of payroll) plus amortization of any new changes in the unfunded AAL.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

Funding Policy Illustrated in This Report

It is our understanding that the City’s prefunding policy includes amortization of the unfunded AAL over a closed 30-year period initially effective July 1, 2007; the remaining period applicable in determining the ARC for the fiscal year ending June 30, 2014 is 24 years. Amortization payments are determined on a level percent of pay basis.

G. Choice of Actuarial Funding Method and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance. In addition, it is the method required for plans participating in the CalPERS prefunding vehicle for OPEB liabilities, the California Employers Retiree Benefit Trust (CERBT).

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the City. In particular, CalPERS has issued a set of standardized actuarial methods and assumptions to be used by entities participating in CERBT and the actuarial assumptions used in this report for GASB 45 analysis are intended to comply with these requirements. Other assumptions were selected based on demonstrated plan experience and/or our best estimate of expected future experience.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. CERBT provides participating employers with three possible asset allocation strategies; a maximum discount rate is assigned to each of these strategies, which may be rounded or reduced to include a margin for adverse deviation. As requested by the City and permitted by CERBT where its asset allocation Strategy #1 is employed, the discount rate used in this valuation is 7.61%.

H. Certification

This report presents the results of our actuarial valuation of the other post employment benefits provided by the City of Martinez. The purpose of this valuation was to provide the actuarial information required for the City's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligations for the years to which this report is expected to be applied.

We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the City. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

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Signed: April 2, 2013

Catherine L. MacLeod	Francis M. Schauer, Jr.
Catherine L. MacLeod, FSA, EA, MAAA	Francis M. Schauer Jr., FSA, FCA, EA, MAAA

Table 1A
Roll Forward of 2013 Valuation Results
Prefunding Basis

The basic valuation results are presented in Section E. The following summarizes the results of the January 1, 2013 valuation adjusted to be applicable for the fiscal year ending June 30, 2014. These adjusted results become the basis for calculating the annual required contribution for this year, shown in Table 1B on the following page.

	Prefunding Basis
Valuation date	**1/1/2013**
For fiscal year beginning	7/1/2013
For fiscal year ending	6/30/2014
Discount rate	7.61%
Number of Covered Employees*	
Actives	125
Retirees	84
Total Participants	209
Actuarial Present Value of Projected Benefits	
Actives	$ 10,278,686
Retirees	10,511,814
Total APVPB	20,790,500
Actuarial Accrued Liability (AAL)	
Actives	6,872,336
Retirees	10,511,814
Total AAL	17,384,150
Actuarial Value of Assets	7,619,764
Unfunded AAL (UAAL)	9,764,386
Normal Cost	406,920
Benefit Payments	
Actives (in retirement)	83,700
Retirees	874,513
Total	958,213

The results shown above and on the following two pages reflect our understanding that the City intends to contribute 100% of the ARC for each fiscal year up to and including the year to which this report is expected to be applied. Should those contributions differ by more than an immaterial amount, some of the results in this report will need to be revised.

* The number of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in each category in the future year(s) shown. In addition, because this valuation has been prepared on a closed group basis, no potential future employees are included. In reality, based on assumptions outlined in Table 4, we recognize the possibility that active employees will leave employment and that some may retire and elect benefits. We also include some possibility that coverage for some of the retired employees may cease. It is possible, therefore, that the actual number of employees and retirees in each future year would be different from those shown above.

Table 1B
Calculation of the Annual Required Contribution

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a prefunding basis for the fiscal year ending June 30, 2014.

	Prefunding Basis
Fiscal Year End	**6/30/2014**
Funding Policy	
Discount rate	7.61%
Amortization method	Level % of Pay
Initial amortization period (in years)	30
Remaining period (in years)	24
Determination of Amortization Payment	
UAAL	$ 9,764,386
Factor	15.5345
Payment	628,562
Annual Required Contribution (ARC)	
Normal Cost	406,920
Amortization of UAAL	628,562
Interest to 06/30	38,138
Total ARC at fiscal year end	1,073,620

Table 1C
Expected OPEB Disclosures

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contribution and projects the net OPEB obligation for the fiscal year ending June 30, 2014. The calculations assume the City continues to follow the prefunding approach outlined on the prior page.

	Prefunding Basis
Fiscal Year End	**6/30/2014**
1. Calculation of the Annual OPEB Expense	
a. ARC for current fiscal year	$ 1,073,620
b. Interest on Net OPEB Obligation (Asset) at beginning of year	(326,377)
c. Adjustment to the ARC	297,092
d. **Annual OPEB Expense (a. + b. + c.)**	1,044,335
2. Calculation of Expected Contribution	
a. Estimated payments on behalf of retirees	958,213
b. Estimated contribution to OPEB trust	115,408
c. **Total Expected Employer Contribution**	1,073,621
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	(29,286)
Net OPEB Obligation (Asset), beginning of fiscal year	(4,288,798)
Net OPEB Obligation (Asset) at fiscal year end	(4,318,084)

Please note that the expected payments to retirees for the fiscal year ending June 30, 2014 shown above is a projection and should be replaced with the actual payment in order to determine the portion of the ARC to be contributed to the OPEB trust.

Should total City contributions (the sum of actual premiums paid and contributions to CERBT) be less than the ARC, the next valuation will likely require use of a lower discount rate for valuing the liabilities.

Table 2
Summary of Employee Data

The City reported 125 active employees; of these, 114 are currently participating in the medical program while 11 employees were waiving coverage as of the valuation date. Age and service information for the reported individuals is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25							0	0%
25 to 29	7	2	4	1			14	11%
30 to 34	6	1	4	5			16	13%
35 to 39	1	2	7	3	2		15	12%
40 to 44	2	5	4	9	3	2	25	20%
45 to 49		1	7	5		4	17	14%
50 to 54		1	4	3		8	16	13%
55 to 59		1		4		4	9	7%
60 to 64	1		1	2		3	7	6%
65 to 69			3	2		1	6	5%
70 & Up							0	0%
Total	17	13	34	34	5	22	**125**	**100%**
Percent	14%	10%	27%	27%	4%	18%	**100%**	

(Percentages adjusted to total 100%)

Annual Covered Payroll	$9,802,211
Average Attained Age for Actives	44.3
Average Years of Service	10.9

There are also 84 retirees or their beneficiaries receiving benefits. The following chart summarizes the ages of current retirees in the City plan.

Retirees by Age		
Current Age	**Number**	**Percent**
Below 50	5	6%
50 to 54	9	11%
55 to 59	13	15%
60 to 64	17	20%
65 to 69	15	18%
70 to 74	9	11%
75 to 79	7	8%
80 & up	9	11%
Total	**84**	**100%**
Average Attained Age for Retirees:		64.9

The numbers of safety and miscellaneous employees and retirees as of the valuation date are summarized below.

Participants by Group			
Group	**Actives**	**Retired**	**Total**
Safety	37	44	81
Miscellaneous	88	40	128
Total	125	84	209

Table 2 – Employee Data (Concluded)

The following chart summarizes the number of active and retired employees according to their particular retiree medical benefit tier:

Participants by Group & DOH/DOR			
Group	**Actives**	**Retired**	**Total**
Safety, DOR before 1/1/2005	0	27	27
Safety, DOR on or after 1/1/2005	37	17	54
Miscellaneous, DOH before 1/1/2006	55	40	95
Miscellaneous, DOH during 2006	11	0	11
Miscellaneous, DOH on or after 1/1/2007	22	0	22
Total	125	84	209

Safety employees participate in the CalPERS medical program and can choose from a number of different medical plans. The following chart summarizes the number of active and retired safety employees in each plan.

Medical Plan Selections of Safety Employees			
Medical Plan	**Active**	**Retired**	**Total**
Blue Shield HMO Bay	4	4	8
Blue Shield HMO Sac	0	1	1
Blue Shield NetValue Bay	4	2	6
Kaiser Bay	25	27	52
PERS Choice Bay	0	3	3
PERS Choice NoCal	1	0	1
PERS Choice OOS	0	4	4
PERS Care	0	1	1
PORAC	0	2	2
Waived	3	0	3
Total	37	44	81

Table 3
Summary of Retiree Benefit Provisions

OPEB provided: The City has reported that the only OPEB provided are medical and dental coverage.

Safety Employees' Access to Retiree Health Coverage: Medical coverage for safety employees is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA).

- This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires attainment of age 50 with 5 years of State or public agency service or approved disability retirement.
- If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period.
- Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.
- The employee must commence his or her retirement warrant within 120 days of terminating employment with the City to be eligible to continue medical coverage through the City and be entitled to the employer subsidy described below.

Miscellaneous Employees' Access to Retiree Health Coverage: Medical coverage for active miscellaneous employees is provided through Kaiser and Blue Cross plans. However, miscellaneous retirees are not permitted to retain coverage in City plans. The City has agreed to subsidize medical premiums for miscellaneous retirees, provided the following conditions are met:

- The employee meets the requirements for retirement under CalPERS, specifically, attainment of age 50 with 5 years of State or public agency service or approved disability retirement;
- The retiree must have completed at least 10 years of service for the City, an employee must have at least 10 years of service with the City; and
- The retiree must not be eligible for coverage through another plan.

Benefits provided to Safety Retirees: As a PEMHCA employer, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The PEMHCA resolution with CalPERS and benefit outline define the level of the City's contribution toward the cost of retiree medical plan premiums.

- For those employees who retired prior to January 1, 2005, the City contributes the full medical plan cost for the retiree and family members up to 100% of the Kaiser Bay area rate applicable based on the selected coverage level and Medicare eligibility.
- For employees who retired, or will retire, on or after January 1, 2005, the City contributes the full medical plan cost for the retiree and family members up to the Kaiser Bay area rates as described above, with the exception that premium increases since 2005 are shared between retirees and the City. At this time, the City pays 80% of the increases in premium levels. Starting in 2015, the City expects to pay only 75% of those increases.

Table 3 – Retiree Benefit Provisions (Continued)

Benefits provided to Miscellaneous Retirees: The City contributes the following amounts toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued:

- For those employees *hired* prior to January 1, 2006, the City contributes (a) plus (b), subject to the vesting schedule below:
  - (a) The 'applicable premium cost' (defined below) for the retiree and spouse, plus
  - (b) The Medicare Part B premium for the retiree and spouse.

- For those employees hired between January 1 and December 31, 2006, the City contributes the applicable premium cost for the retiree and spouse, subject to the vesting schedule below.

- For those employees hired on or after January 1, 2007, the City contributes the applicable premium cost for the retiree and spouse, with premium increases shared between the City and the retiree since 2007, subject to the vesting schedule below.
  - As of the valuation date, the City covers 93.5% of premiums for this group.
  - As of the valuation date, the City pays for 80% of the increase in premiums each year.

The vesting schedule applied to determine each retiree's portion of the full City contribution toward their premiums is as follows:

Vesting Schedule	
Years of City Service	% of Full Benefit
Less than 10	0%
10 less than 15	25%
15 less than 20	50%
20 less than 25	75%
25 or more	100%

Dental OPEB:
There are 13 safety retirees who retired on or after July 1, 1991 and before January 1, 2006 who are eligible for $10 each month to subsidize their dental premiums. No other current or future retirees will be eligible for any dental subsidy from the City.

Safety employee premium rates: The 2013 CalPERS monthly medical plan rates in the Bay Area rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here.

Table 3 – Retiree Benefit Provisions (Concluded

Bay Area 2013 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield HMO	$784.63	$1,569.26	$2,040.04	$261.32	$522.64	$993.42
Blue Shield NetValue HMO	670.21	1340.42	1742.55	261.32	522.64	924.77
Kaiser HMO	668.63	1337.26	1738.44	288.37	576.74	977.92
PERS Choice PPO	667.03	1334.06	1734.28	325.74	651.48	1051.70
PERS Select PPO	487.20	974.40	1266.72	325.74	651.48	943.80
PERS Care PPO	1083.11	2166.22	2816.09	370.43	740.86	1390.73
PORAC Association Plan	581.00	1088.00	1382.00	418.00	833.00	1127.00

Note that the small additional CalPERS administration fee is not included in this valuation.

Miscellaneous employee premium rates: While not covered by City sponsored medical plans, premiums for qualifying miscellaneous retirees are subsidized based on the following:

- Retirees not yet eligible for Medicare are subsidized based on the Kaiser DHMO, Rate Area 1, Deductible 30/1500 plan. The following chart shows the monthly premium rates in effect for 2013 for retirees at ages 50 through 64:

Kaiser DHMO, Rate Area 1, Deductible 30/1500 health plan rates as of January 1, 2013					
Age	**Premium**	**Age**	**Premium**	**Age**	**Premium**
50	$776	55	$878	60	$953
51	797	56	899	61	953
52	816	57	916	62	953
53	836	58	935	63	953
54	858	59	953	64	953

  In the unlikely event that a miscellaneous employee retires on disability prior to age 50, provided the employee had 10 or more years of service, he or she would be eligible for the same benefits as other miscellaneous retirees. While the rates are not shown above, premiums are available and range from $535 per month at age 30 to $756 per month at age 49.

- Medicare eligible retirees are subsidized based on the Kaiser Permanente Senior Advantage (HMO) rate, which is currently $84 a month.
- As of the valuation date, the Medicare Part B premium is $104.90 each month.

Table 4
Actuarial Methods and Assumptions

Valuation Date	January 1, 2013
Funding Method	Entry Age Normal Cost, level percent of pay[1]
Asset Valuation Method	Market value of assets
Expected Return on Assets	7.61%
Discount Rate	7.61%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis
Inflation Rate	3.25% per year

As described in Section D. of the report, in order to value the OPEB benefits provided by the City, we make many assumptions about the likelihood of various events occurring that will affect eligibility for or the amount of benefits expected to be paid to each individual employee, retiree and their potentially eligible dependents. We consider the likelihood that each employee will actually retire from the City as well as the potential that the employee may die prior to retirement or terminate for any reason and therefore not qualify for retiree medical benefits. If they are assumed to retire and qualify for benefits, we assign probabilities to when retirement might occur for each individual, whether the employee will have coverage in retirement, whether they will have a spouse with coverage, and when their benefits are likely to end (i.e., when the retiree's or spouse's death will occur).

To develop these calculations, we assign specific probabilities each year for mortality (before and after retirement), termination of employment and for service or disability retirement. These assumptions are generally referred to as "demographic assumptions". The demographic actuarial assumptions used in this valuation are based on the (demographic) experience study of the California Public Employees Retirement System using data from 1997 to 2007. Rates for selected age and service are shown on the following pages. Typically, the rates shown express the likelihood that the event (e.g., death, retirement or termination of employment) will occur in a twelve-month period.

[1] The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality Before Retirement:

Death before retirement generally eliminates retiree medical benefits. The following charts show a selection of rates of mortality prior to retirement. The rates vary by gender and by type of employee (miscellaneous or safety) and each rate represents the likelihood that a current employee would die during each twelve-month period after the valuation date For example, an active miscellaneous male employee, exactly age 40, is assumed to have a 0.084% chance of dying prior to his 41st birthday.

Illustrative rates:

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only Projected to 2015		
Age	Male	Female
20	0.00043	0.00015
30	0.00052	0.00034
40	0.00084	0.00060
50	0.00161	0.00116
60	0.00364	0.00259
70	0.00848	0.00633
80	0.01452	0.01070

CalPERS Public Agency Police Combined Industrial & Non-Industrial Deaths Projected to 2015		
Age	Male	Female
20	0.00045	0.00018
30	0.00061	0.00044
40	0.00096	0.00072
50	0.00174	0.00129
60	0.00380	0.00276
70	0.00865	0.00652
80	0.01472	0.01090

Mortality After Retirement:

Death after retirement signals the end of benefits for the retiree. In the case of safety members, benefits for a surviving spouse and dependent children will continue. For miscellaneous employees, spouse coverage ends at the earlier of the spouse's or the retiree's death. As above, rates vary by gender but also vary based on whether the employee took a service or a disability retirement and represent the likelihood that a retiree or beneficiary will die during each twelve-month period after the valuation date. For example, a female employee who took a service retirement, now exactly age 70, is assumed to have a 1.213% chance of dying before her 71st birthday.

Non-Disabled Members

CalPERS Public Agency Miscellaneous & Police Post Retirement Mortality Projected to 2015		
Age	Male	Female
50	0.00218	0.00115
60	0.00664	0.00420
70	0.01553	0.01213
80	0.05012	0.03620
90	0.16415	0.12219
100	0.34379	0.31717
110	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Miscellaneous Disability Post Retirement Mortality Projected to 2015		
Age	Male	Female
50	0.01490	0.01143
60	0.02115	0.01588
70	0.03588	0.02944
80	0.07977	0.05363
90	0.21126	0.14726
100	0.45676	0.37474
110	1.00000	1.00000

Disabled Police:

CalPERS Public Agency Police Disability Post Retirement Mortality Projected to 2015		
Age	Male	Female
50	0.00459	0.00368
60	0.00780	0.00814
70	0.02136	0.01727
80	0.06642	0.04411
90	0.16441	0.13616
100	0.40912	0.35089
110	1.00000	1.00000

Table 4 - Actuarial Methods and Assumptions (Continued)

Termination Rates

Whether voluntary or involuntary, if an employee terminates for reasons other than death and does not meet the requirements necessary to qualify for benefits, those benefits will be not be paid. We make assumptions about the likelihood that an employee will leave service in every year between the valuation date and the earliest expected date of retirement. These rates vary based on the employee's age, prior years of CalPERS membership and whether the employee is a safety or miscellaneous employee. For example, in the first table below, we can see that an active miscellaneous employee, exactly age 35, who has 3 prior years of CalPERS membership is assumed to have a 9.87% chance of leaving the City's employ in the next 12 months.

Sample termination rates for miscellaneous employees (sum of CalPERS Terminated Refund and Terminated Vested rates)

Attained	Years of Service					
Age	0	3	5	10	15	20
20	0.1742	0.1193	0.0946	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0868	0.0749	0.0000	0.0000
30	0.1606	0.1055	0.0790	0.0668	0.0581	0.0000
35	0.1537	0.0987	0.0711	0.0587	0.0503	0.0450
40	0.1468	0.0919	0.0632	0.0507	0.0424	0.0370
45	0.1400	0.0849	0.0554	0.0427	0.0347	0.0290

Sample termination rates for safety employees (sum of CalPERS Terminated Refund and Terminated Vested rates for police officers)

Attained	Years of Service					
Age	0	3	5	10	15	20
20	0.1013	0.0258	0.0249	0.0000	0.0000	0.0000
25	0.1013	0.0258	0.0249	0.0179	0.0000	0.0000
30	0.1013	0.0258	0.0249	0.0179	0.0109	0.0000
35	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082
40	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082
45	0.1013	0.0258	0.0249	0.0179	0.0109	0.0082

Retirement Rates

To the extent that an individual's employment is not assumed to end through termination or death prior to retirement, we make assumptions about the likelihood each employee will retiree in each future year. The likelihood of retirement in any year is dependent up several factors, including the employee's current age, prior years of CalPERS membership and the retirement plan in which the employee participates.

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates:

The following 4 charts provide sample rates showing the likelihood of an employee's service retirement in the following 12 months. For example, in the first chart below, we can see that an active miscellaneous employee, now exactly age 50, with 5 prior years of CalPERS service is assumed to have a 1.5% chance of retiring from the City before his or her 51st birthday. In this particular example, if the miscellaneous employee did, in fact, retire at that time, he or she would not qualify retiree medical benefits. By contrast, as we can see in the 3rd chart below, due to different eligibility requirements for safety employees, a police employee age 50 with 5 years of CalPERS service would be assumed to have a 7% chance of retiring before his 51st birthday and he or she would qualify for retiree medical benefits.

Sample service retirement rates for miscellaneous employee covered by the CalPERS Public Agency 2% @ 55 formula:

Attained	Years of Service					
Age	5	10	15	20	25	30
50	0.0150	0.0200	0.0240	0.0290	0.0330	0.0390
55	0.0500	0.0640	0.0780	0.0940	0.1070	0.1270
60	0.0720	0.0920	0.1120	0.1340	0.1530	0.1820
65	0.1740	0.2210	0.2690	0.3230	0.3690	0.4390
70	0.1380	0.1760	0.2140	0.2570	0.2930	0.3490
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Sample service retirement rates for miscellaneous employee covered by the CalPERS Public Agency 2% @ 60 formula:

Attained	Years of Service					
Age	5	10	15	20	25	30
50	0.0110	0.0150	0.0180	0.0210	0.0230	0.0260
55	0.0230	0.0320	0.0390	0.0440	0.0490	0.0550
60	0.0620	0.0870	0.1050	0.1190	0.1330	0.1490
65	0.1730	0.2430	0.2960	0.3340	0.3730	0.4180
70	0.1270	0.1780	0.2160	0.2440	0.2730	0.3060
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Sample service retirement rates for police employees covered by the CalPERS Public Agency Police 3% @ 50 formula:

Attained	Years of Service					
Age	5	10	15	20	25	30
50	0.0700	0.0700	0.0700	0.1310	0.1930	0.2490
52	0.0610	0.0610	0.0610	0.1160	0.1710	0.2200
55	0.0900	0.0900	0.0900	0.1700	0.2500	0.3220
57	0.0800	0.0800	0.0800	0.1520	0.2230	0.2880
60	0.1350	0.1350	0.1350	0.2550	0.3765	0.4845
62	0.1125	0.1125	0.1125	0.2125	0.3138	0.4038
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates - (concluded)

Sample service retirement rates for police employees covered by the CalPERS Public Agency Police 3% @ 55 formula:

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0190	0.0190	0.0190	0.0190	0.0400	0.0600
52	0.0240	0.0240	0.0240	0.0240	0.0510	0.0770
55	0.1160	0.1160	0.1160	0.1160	0.2400	0.3630
57	0.0580	0.0580	0.0580	0.0580	0.1200	0.1810
60	0.1410	0.1410	0.1410	0.1410	0.2895	0.4380
62	0.1175	0.1175	0.1175	0.1175	0.2413	0.3650
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

The following 2 charts provide sample rates showing the likelihood of an employee's retirement on disability in the following 12 months. For example, in the first chart below, we can see that an active male miscellaneous employee, now exactly age 40, is assumed to have a small .145% chance of retiring from the City due to approved disability before his 41st birthday.

CalPERS Public Agency Miscellaneous Disability Retirement Rates		
Age	Male	Female
20	0.00010	0.00010
25	0.00010	0.00010
30	0.00021	0.00020
35	0.00063	0.00088
40	0.00145	0.00164
45	0.00252	0.00243
50	0.00331	0.00311
55	0.00366	0.00306
60	0.00377	0.00253

CalPERS Public Agency Police Combined Disability Retirement Rates	
Age	Unisex
20	0.00079
25	0.00332
30	0.00664
35	0.00996
40	0.01327
45	0.01659
50	0.01999
55	0.06803
60	0.06869

Participation Rates

Active employees: (a) All miscellaneous employees who qualify for retiree medical benefits are assumed to receive the medical premium subsidy in retirement. (b) All safety employees are assumed to elect medical coverage in retirement. If currently covered, the employee is assumed to continue their current plan selection; non-covered safety employees are assumed to elect coverage in the CalPERS Kaiser Bay area plan.

Retired participants: Existing benefits (all retirees) and medical plan elections (safety employees) are assumed to continue until the retiree's death.

Table 4 - Actuarial Methods and Assumptions (Continued)

Spouse Coverage	*Active miscellaneous employees*: 85% are assumed to be married and, if eligible, to receive the medical premium subsidy for their spouse in retirement. Surviving spouses of miscellaneous employees are ***not eligible*** for the medical premium subsidy. *Active safety employees:* 85% are assumed to be married and to elect coverage for their spouse in retirement. Surviving spouses of safety employees are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives. *Retired participants*: Existing spouse benefits (all employees) and medical plan elections (safety employees) are assumed to continue until the spouse's death (for safety retirees) or the earlier of the spouse's and retiree's death (for miscellaneous retirees). Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.
Dependent Coverage	*Active safety employees only*: 30% are assumed to cover dependents (other than a spouse) under age 26 at retirement; eligibility for coverage for the youngest dependent is assumed to end at the retiree's age 65. *Retired safety participants* covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.
Healthcare Trend	Medical plan and Medicare Part B premiums are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below:

Effective January 1	PEMHCA & Medicare Part B Premium Increases	Non-PEMHCA Premium Increase
2014	8.00%	8.50%
2015	7.50%	8.00%
2016	7.00%	7.50%
2017	6.50%	7.00%
2018	6.00%	6.50%
2019	5.50%	6.00%
2020	5.00%	5.50%
2021 & later	4.50%	5.00%

Table 4 - Actuarial Methods and Assumptions (Continued)

Assumed Increases in Employer Cost Sharing

Medical premiums:

Safety Employees		Miscellaneous Employees	
Retired Prior to Jan 1, 2005	Retired On or After Jan 1, 2005	Hired Prior to Jan 1, 2007	Hired On or After Jan 1, 2007
Same increases as for PEMHCA premiums	75% of assumed PEMHCA premium increases*	Same increases as for non-PEMHCA premiums	80% of assumed non-PEMHCA premium increases

** except for an 80% assumed increase in 2014.*

Dental premiums: Where the City contributes toward dental premiums, the subsidy is assumed to remain at the current level without increase in the future.

Changes Since the Prior Valuation:

Healthcare trend — Medical plan premiums are assumed to increase at slightly lower rates (roughly .5% per year lower) than were assumed in the prior valuation.

Inflation assumption — The assumed long term rate of inflation used to develop the amortization payments was increased from 3% to 3.25% annually.

Spouse coverage — Instead of assuming that active employees will continue their current elections in retirement, we assumed that 85% of retirees will elect to cover a spouse in retirement; the rest will elect Employee Only coverage.

Actuarial value of assets — Changed to recognize the full market value of assets, from a method that spread asset gains and losses over 5 years.

Table 5
Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the City.

- No benefits expected to be paid on behalf of current active employees prior to retirement are considered in this projection.
- No benefits for potential future employees have been included.

Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

Projected Annual Benefit Payments			
Fiscal Year Ending June 30	Safety	Misc.	Total
2013	$ 618,476	$ 298,659	$ 917,135
2014	643,114	315,099	958,213
2015	678,734	356,125	1,034,859
2016	701,435	407,530	1,108,965
2017	732,006	451,626	1,183,632
2018	762,986	497,421	1,260,407
2019	796,332	547,119	1,343,451
2020	829,799	583,737	1,413,535
2021	858,713	618,642	1,477,355
2022	881,705	642,526	1,524,231
2023	913,391	676,934	1,590,325
2024	956,636	718,841	1,675,476
2025	996,883	719,613	1,716,495
2026	1,031,711	716,154	1,747,864
2027	1,065,162	722,430	1,787,592
2028	1,085,229	702,551	1,787,780
2029	1,098,212	695,450	1,793,661
2030	1,127,078	722,103	1,849,180
2031	1,146,299	739,139	1,885,437
2032	1,151,960	754,170	1,906,130

Appendix 1
Breakout of the Results by Employee Group

This table breaks out the results of the valuation between safety and miscellaneous members. The funding policy is the same as that described in Section F. and the total results shown in the last column tie to those presented in Tables 1A and 1B.

	Safety	Miscellaneous	Total
Approach	**Prefunding Basis**		
Fiscal year beginning	7/1/2013		
Fiscal year ending	6/30/2014		
Discount rate	7.61%		
Amortization method	Level % of Pay		
Remaining amortization period (in years)	24		
Number of Covered Employees			
Actives	37	88	125
Retirees	44	40	84
Total Participants	81	128	209
Actuarial Present Value of Projected Benefits			
Actives	$ 4,619,712	$ 5,658,974	$ 10,278,686
Retirees	7,733,678	2,778,135	10,511,813
Total APVPB	12,353,390	8,437,109	20,790,499
Actuarial Accrued Liability			
Actives	2,506,959	4,365,377	6,872,336
Retirees	7,733,678	2,778,135	10,511,813
Total AAL	10,240,638	7,143,512	17,384,150
Actuarial Value of Assets	4,488,643	3,131,121	7,619,764
Unfunded Actuarial Accrued Liability	5,751,994	4,012,391	9,764,385
Amortization Factor	15.5345	15.5345	15.5345
Annual Required Contribution (ARC)			
Normal Cost	$ 245,784	$ 161,136	$ 406,920
Amortization of UAAL	370,272	258,289	628,562
Interest to fiscal year end	22,690	15,448	38,138
ARC for Fiscal Year End	638,747	434,873	1,073,620
Current year's expected benefit payments	$ 643,114	$ 315,099	$ 958,213

Valuation date	**1/1/2013**		
Fiscal Year End	**6/30/2014**		
Group	**Safety**	**Miscellaneous**	**Total**
Projected covered payroll	$ 3,333,981	$ 6,786,802	$ 10,120,783
Normal Cost as a percent of payroll	7.4%	2.4%	4.0%
ARC as a percent of payroll	19.2%	4.6%	10.6%
ARC per active ee	17,263	3,581	8,589

Appendix 2
Expected Disclosures for Fiscal Year End June 30, 2013

The annual OPEB expense and net OPEB obligation (asset) for the fiscal year ending June 30, 2013 were projected in the June 30, 2011 valuation. Since that valuation was prepared, the City has reported actual payments toward retiree premiums and contributions to CERBT through June 30, 2012.

The following exhibit updates the development of the annual OPEB expense and net OPEB obligation, providing the information assumed to be reported in the City's financial statement for the fiscal year ending June 30, 2013.

	Prefunding Basis
Fiscal Year End	**6/30/2013**
1. Calculation of the Annual OPEB Expense	
a. ARC for current fiscal year	$ 1,246,000
b. Interest on Net OPEB Obligation (Asset) at beginning of year	(321,471)
c. Adjustment to the ARC	257,000
d. **Annual OPEB Expense (a. + b. + c.)**	1,181,529
2. Calculation of Expected Contribution	
a. Estimated payments on behalf of retirees	817,000
b. Estimated contribution to OPEB trust	429,000
c. **Total Expected Employer Contribution**	1,246,000
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	(64,471)
Net OPEB Obligation (Asset), beginning of fiscal year	(4,224,326)
Net OPEB Obligation (Asset) at fiscal year end	(4,288,798)

Please note that the expected payments to retirees for the fiscal year ending June 30, 2013 shown above is a projection and should be replaced with the actual payment in order to determine the portion of the ARC to be contributed to the OPEB trust.

Appendix 3
OPEB Disclosure Information

The Information necessary to complete the OPEB footnote in the City's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions:	See Table 3A
OPEB Funding Policy:	See Section F; details are provided also at the top of the exhibit in Table 1B
Annual OPEB Cost and Net OPEB Obligation:	See Table 1C
Actuarial Methods and Assumptions:	See Table 4.
Funding Status and Funding Progress:	See Section E – Basic Valuation Results

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	$ 3,566,000	$ 13,633,000	$ 10,067,000	26%	$ 10,088,000	99.79%
6/30/2011	$ 4,990,000	$ 15,744,000	$ 10,754,000	32%	$ 10,397,000	103.43%
1/1/2013	$ 6,667,146	$ 16,612,936	$ 9,945,790	40%	$ 9,802,211	101.46%

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	*$ 1,138,000*	*$ 1,179,000*	*104%*	*$ (4,224,000)*
6/30/2013	*$ 1,181,529*	*$ 1,246,000*	*105%*	*$ (4,288,798)*
6/30/2014	*$ 1,044,335*	*$ 1,073,621*	*103%*	*$ (4,318,084)*

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see “Actuarial Present Value”

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency’s financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual’s projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member’s account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual’s projected earnings or service from entry age to assumed exit age

Glossary (Continued)

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that medical insurance contributions for retired annuitants and paid for by a contracting Agency be equal to the medical insurance contributions paid for its active employees, and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Glossary
(Concluded)

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility