



**CITY OF GLENDALE**  
**RETIREE HEALTH SAVINGS PLAN – GASB 16**  
**RETIREE HEALTHCARE PLAN – GASB 45**

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**B**ARTEL  
ASSOCIATES, LLC

June 30, 2013 Actuarial Valuation  
Final Results

*Presented by* **John E. Bartel, President**  
*Prepared by* Bianca Lin, Assistant Vice President & Actuary  
Tak Frazita, Associate Actuary  
Michelle Shen, Actuarial Analyst  
**Bartel Associates, LLC**

June 3, 2014

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## BENEFIT SUMMARY

### GASB 16 Benefits<sup>1</sup> (Retiree Health Savings Plan)

<b>■ Eligibility</b>	<ul style="list-style-type: none"> <li>■ All salaried employees who:                             <ul style="list-style-type: none"> <li>• Retire directly from the City with at least 5 years of CalPERS service</li> <li>• GMA, GCEA, IBEW &amp; GPOA – Termination with 20 years of City service</li> </ul> </li> </ul>			
<b>■ Sick Leave Conversion</b>	<b>GMA</b>	<b>GCEA / IBEW</b>	<b>GFFA</b>	<b>GPOA</b>
	<ul style="list-style-type: none"> <li>■ \$30/Hr</li> <li>■ \$2/Hr &gt; highest paid to other units</li> <li>■ All sick leave hours &gt; 0</li> </ul>	<ul style="list-style-type: none"> <li>■ \$22/Hr</li> <li>■ All sick leave hours &gt; 0</li> </ul>	<ul style="list-style-type: none"> <li>■ \$28/Hr</li> <li>■ All sick leave hours &gt; 0</li> </ul>	<ul style="list-style-type: none"> <li>■ \$28/Hr</li> <li>■ All sick leave hours &gt; 0</li> </ul>
	<ul style="list-style-type: none"> <li>■ No sick leave cash out</li> <li>■ Can be converted to CalPERS service credit at retirement</li> </ul>			

<sup>1</sup> Executives have same benefits as GMA. Council members are ineligible for the benefits.



## BENEFIT SUMMARY

	GMA	GCEA / IBEW	GFFA	GPOA
<b>■ Sick Leave Accrual</b>	<b>■ 96 Hrs/year</b>	<b>■ 96 Hrs/year</b>	<b>■ 56-hr schedule – 144 Hrs/year</b> <b>■ 40-hr schedule – 96 Hrs/year</b>	<b>■ 96 Hrs/year</b>
<b>■ Compensation Time &amp; Vacation Time</b>	<b>■ Not valued</b>			
<b>■ Surviving Spouse Benefit</b>	<b>■ Benefit continues for surviving spouse or beneficiary until account exhausted</b>			
<b>■ Pay-As-You-Go Cost<sup>2</sup></b>	<u>Year</u>	<u>RHSP</u>		
	2013/14	\$ 505,883 (Est.)		
	2012/13	3,867,685		
	2011/12	1,783,535		
	2010/11	2,036,276		
	2009/10	1,529,479		

<sup>2</sup> Provided by City.



## BENEFIT SUMMARY

### **GASB 45 Benefits (Retiree Healthcare Plan)**

<b>■ Eligibility</b>	<ul style="list-style-type: none"><li>■ All salaried employees who retire from City and continue participating in City’s healthcare program</li><li>■ Retiree ineligible to rejoin City’s plan after separating from the plan</li></ul>
<b>■ Implied Subsidy</b>	<ul style="list-style-type: none"><li>■ Rates:<ul style="list-style-type: none"><li>• Prior to 2009, Anthem provided blended rates for actives/early retirees/Medicare retirees</li><li>• Starting with 2009, Anthem provides unblended rates and City asks Keenan to blend rates</li></ul></li><li>■ Retirees blended rates are less than actual cost</li><li>■ Active employee premiums subsidize retiree cost</li><li>■ GASB 45 includes active “implied subsidy” of retiree costs</li><li>■ Value implied subsidy for both non-Medicare retirees and Medicare retirees</li><li>■ Includes retirees after Sick Leave Account exhausted</li></ul>



## BENEFIT SUMMARY

<ul style="list-style-type: none"> <li>■ Cash Subsidy – Retired &lt; 7/1/01</li> </ul>	<ul style="list-style-type: none"> <li>■ City-paid amount increases by 50% increase of Blue Cross PPO 2-Party non-Medicare premium</li> <li>■ Capped by actual total premium</li> <li>■ Pre-determined payment period at retirement</li> <li>■ Unreduced City-paid amount continues to surviving spouse if retiree dies prior to the pre-determined payment period</li> </ul>										
<ul style="list-style-type: none"> <li>■ Dental &amp; Vision</li> </ul>	<ul style="list-style-type: none"> <li>■ Retiree pays 100% premium</li> <li>■ Retirees have a stand-alone vision plan</li> </ul>										
<ul style="list-style-type: none"> <li>■ Life</li> </ul>	<ul style="list-style-type: none"> <li>■ None<sup>3</sup></li> </ul>										
<ul style="list-style-type: none"> <li>■ Surviving Spouse Benefit</li> </ul>	<ul style="list-style-type: none"> <li>■ Surviving spouse pays 100% premium</li> </ul>										
<ul style="list-style-type: none"> <li>■ Pay-As-You-Go Cost<sup>4</sup></li> </ul>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Year</th> <th style="text-align: center; border-bottom: 1px solid black;">Cash Subsidy</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2012/13</td> <td style="text-align: center;">\$ 96,000</td> </tr> <tr> <td style="text-align: center;">2011/12</td> <td style="text-align: center;">140,000</td> </tr> <tr> <td style="text-align: center;">2010/11</td> <td style="text-align: center;">142,000</td> </tr> <tr> <td style="text-align: center;">2009/10</td> <td style="text-align: center;">166,000</td> </tr> </tbody> </table>	Year	Cash Subsidy	2012/13	\$ 96,000	2011/12	140,000	2010/11	142,000	2009/10	166,000
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2012/13	\$ 96,000										
2011/12	140,000										
2010/11	142,000										
2009/10	166,000										

<sup>3</sup> Retired manager pays full cost for life insurance.

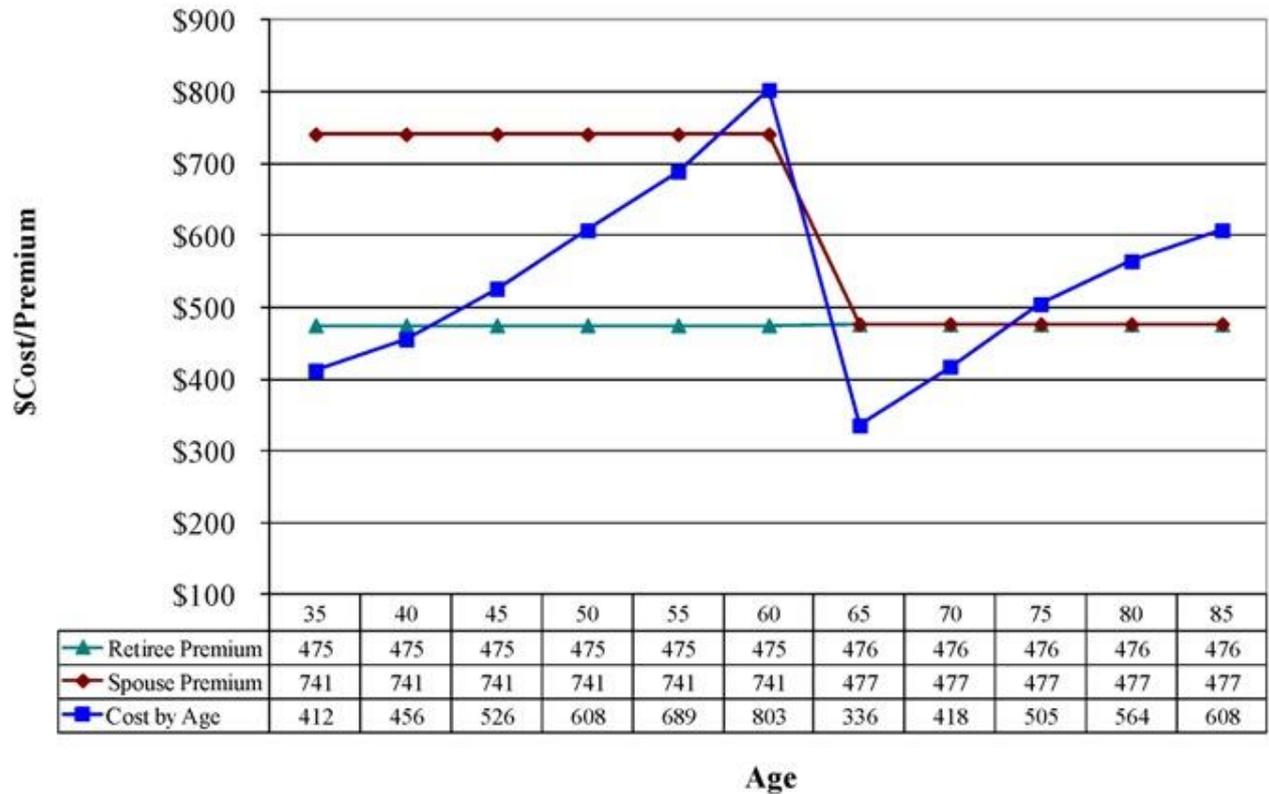
<sup>4</sup> Cash subsidy only. Based on CAFR.



# BENEFIT SUMMARY

## ■ Blue Cross PPO Implied Subsidy – 2013/14 (Unblended)

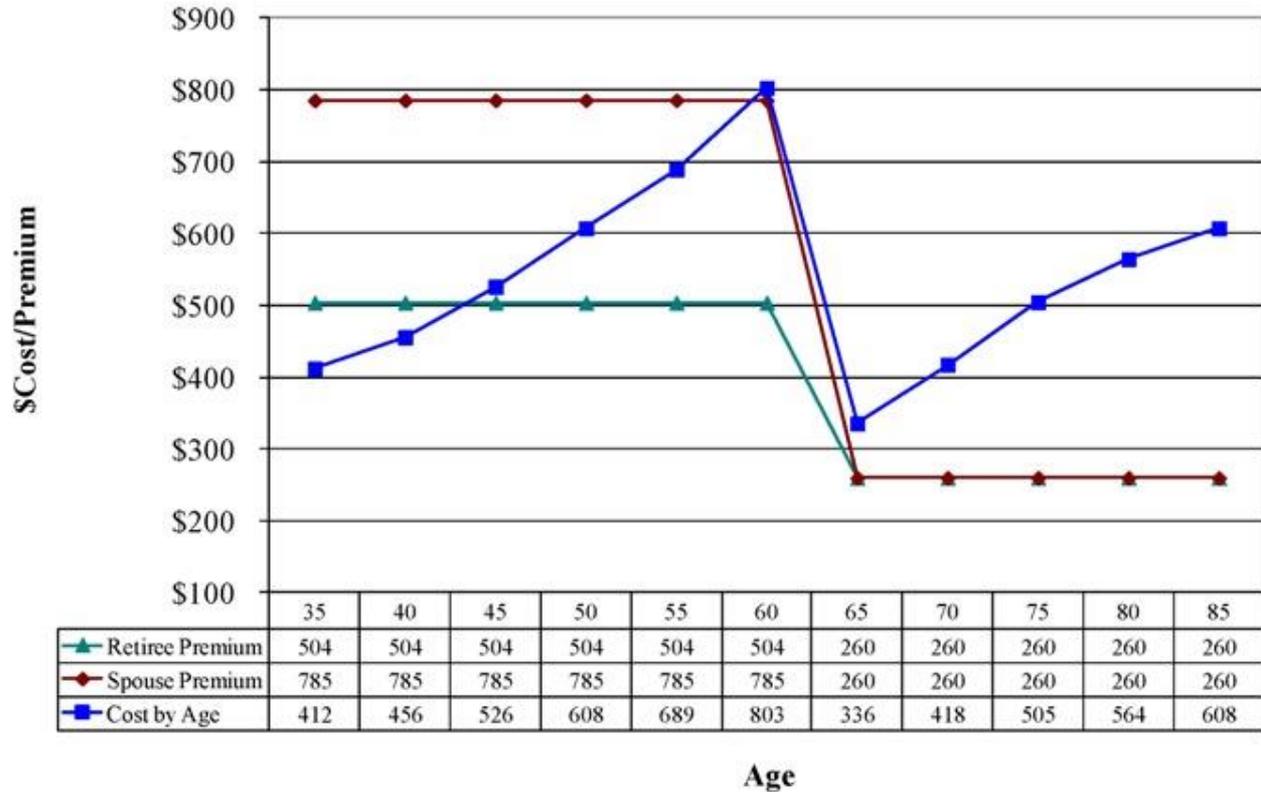
### Blue Cross PPO - Single Coverage (Unblended)



# BENEFIT SUMMARY

■ Blue Cross  
PPO Implied  
Subsidy  
– 2013/14  
(Blended)

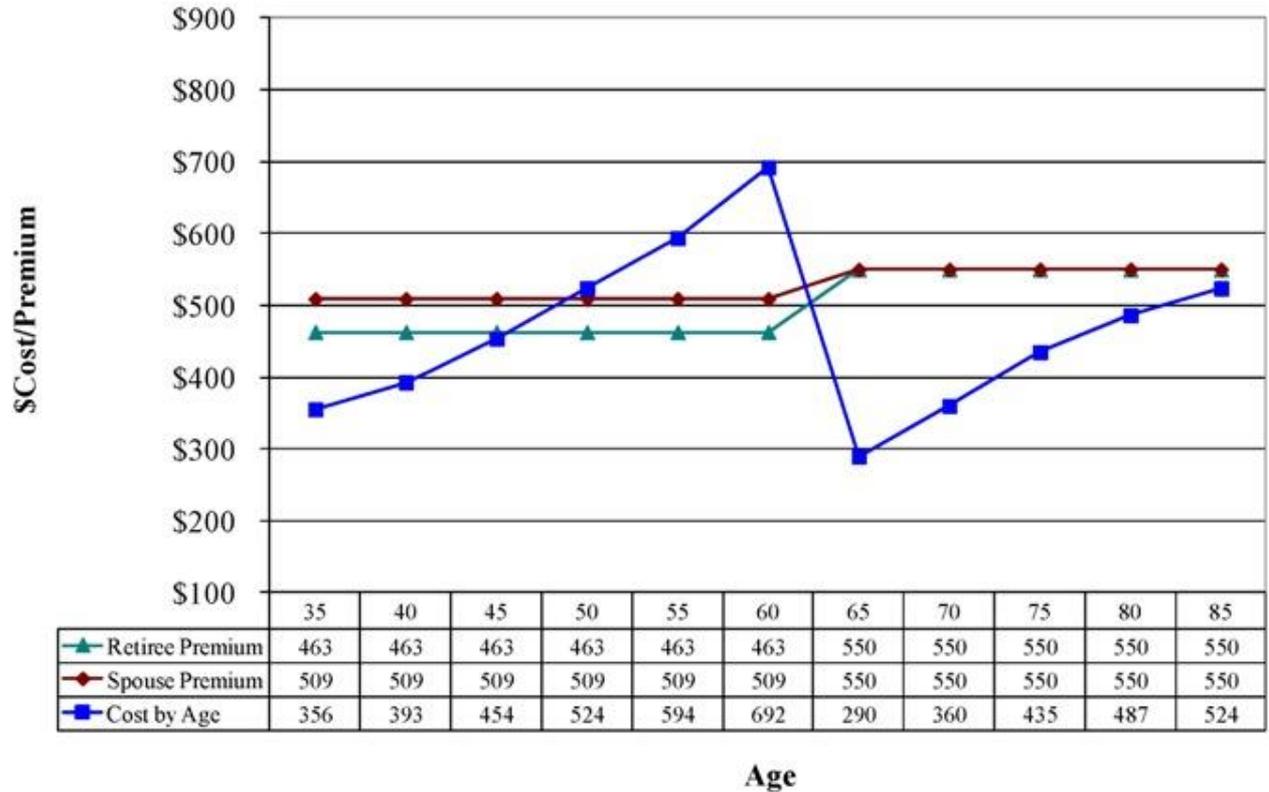
### Blue Cross PPO - Single Coverage (Blended)



# BENEFIT SUMMARY

**■ CalCare  
 Implied  
 Subsidy  
 – 2013/14  
 (Unblended)**

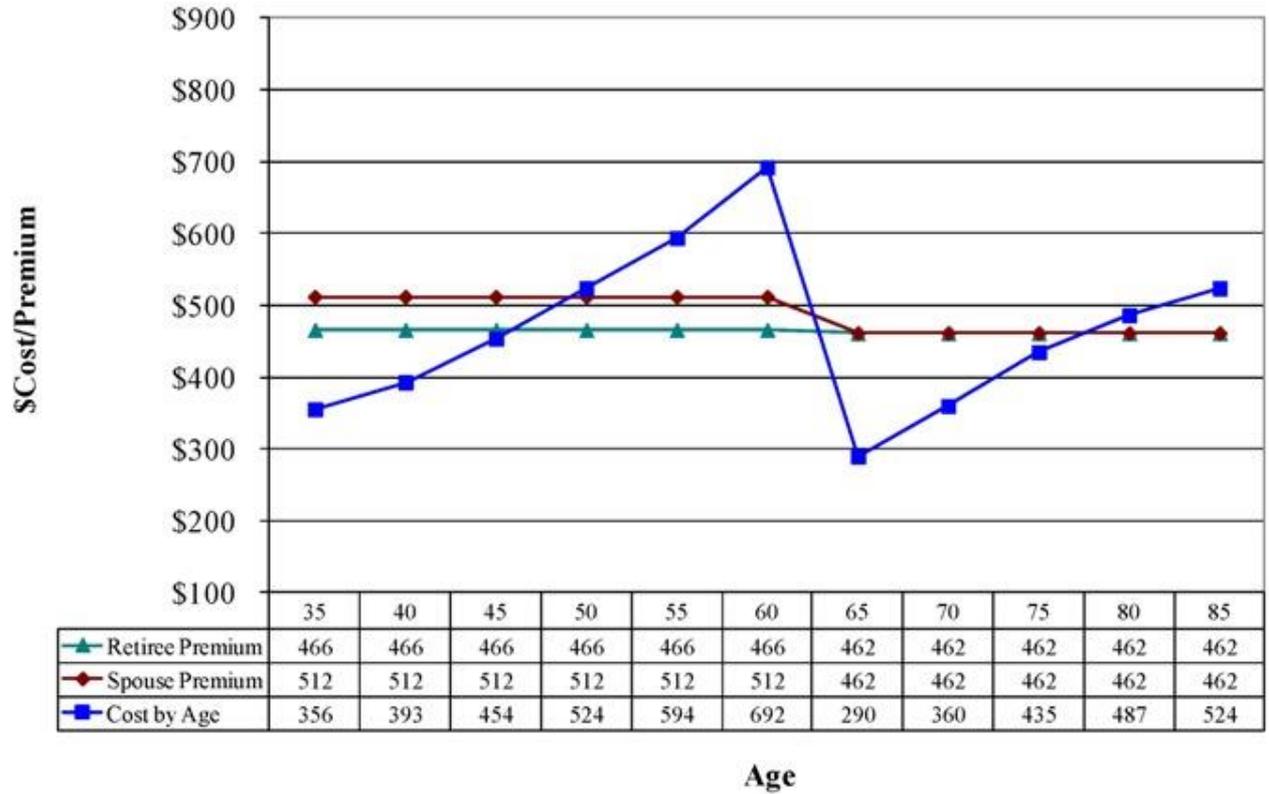
### CaliforniaCare - Single Coverage (Unblended)



# BENEFIT SUMMARY

■ CalCare  
 Implied  
 Subsidy  
 – 2013/14  
 (Blended)

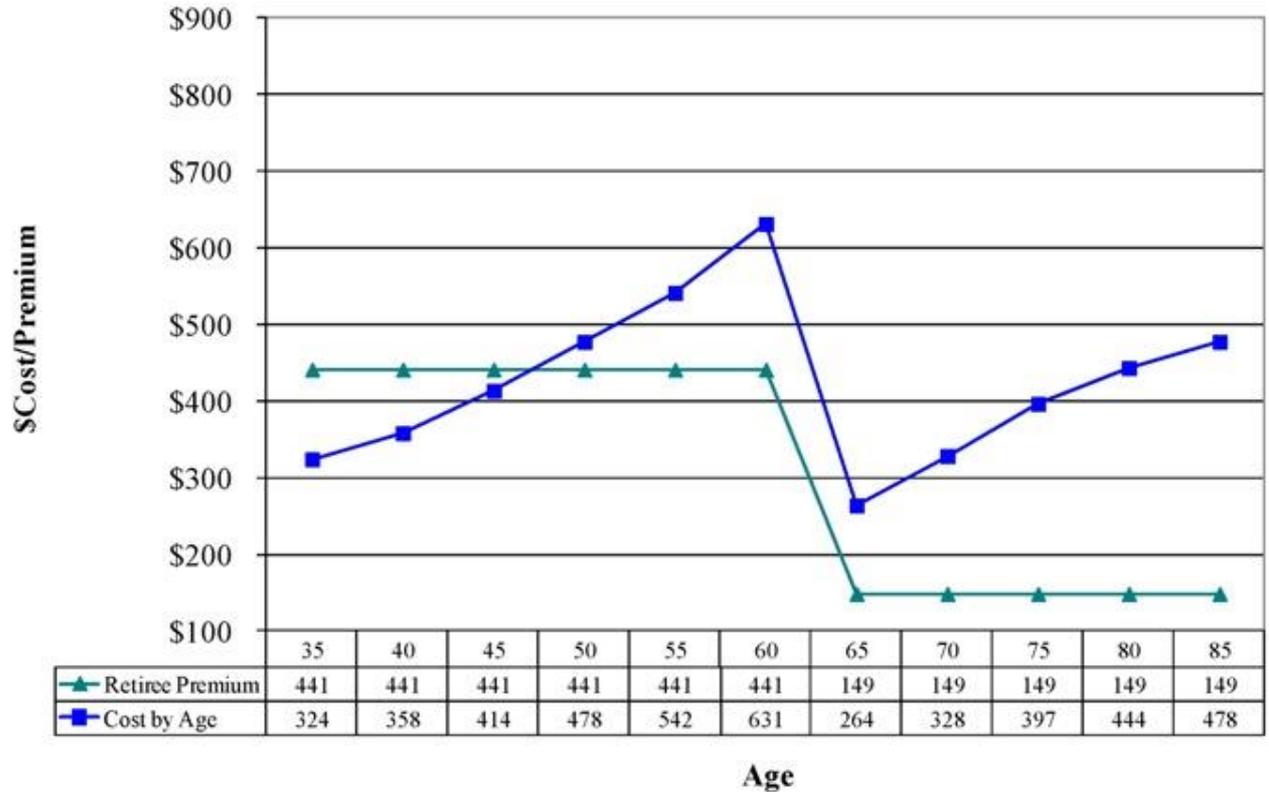
### CaliforniaCare - Single Coverage (Blended)



# BENEFIT SUMMARY

## ■ Kaiser Implied Subsidy – 2013/14 (Unblended)

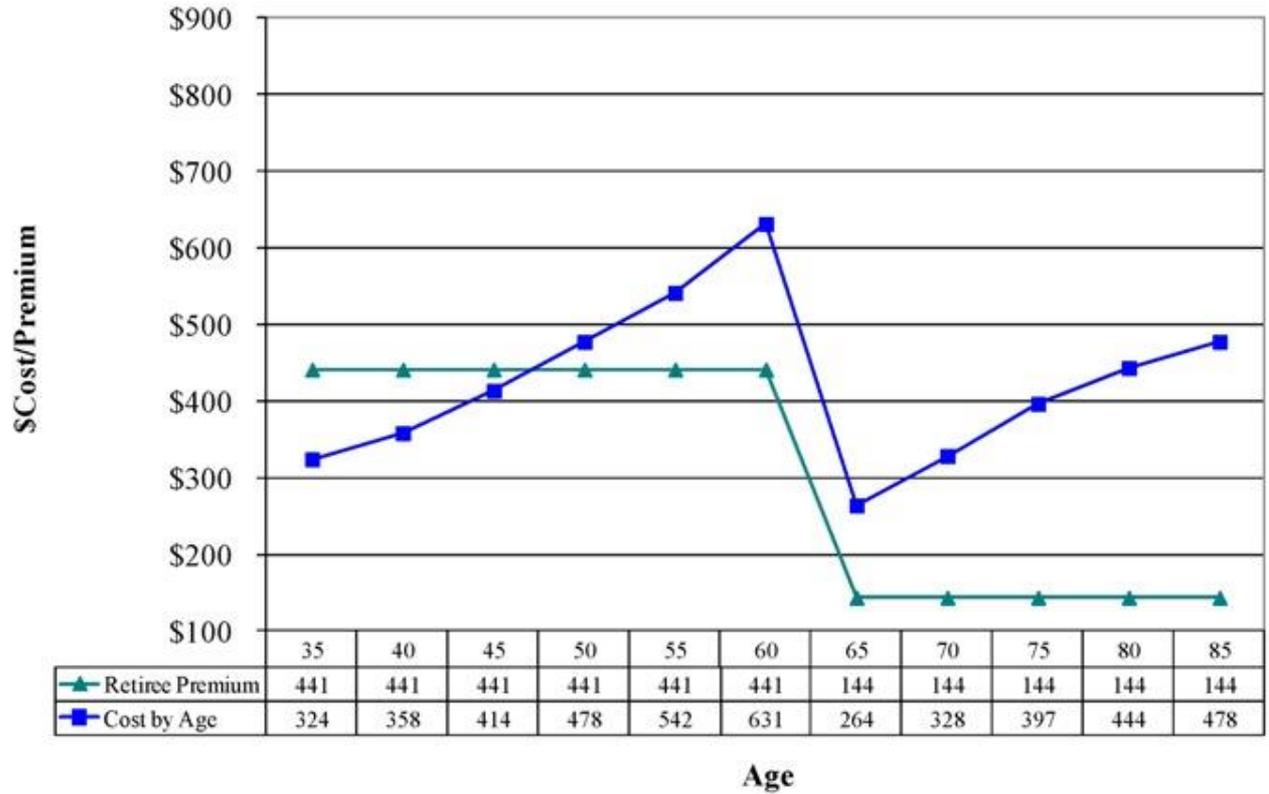
### Kaiser - Single Coverage (Unblended)



# BENEFIT SUMMARY

## ■ Kaiser Implied Subsidy – 2013/14 (Blended)

### Kaiser - Single Coverage (Blended)



## PARTICIPANT STATISTICS

### Actives

	6/30/07	6/30/09	6/30/11	6/30/13
■ Counts	1,770	1,786	1,742	1,489 <sup>5</sup>
■ Average Age	42.7	43.3	43.9	43.7
■ Average City Service	12.3	12.9	13.4	13.7
■ Payroll <sup>6</sup>				
• Average	\$ 75,170	\$ 78,911	\$ 80,599	\$ 81,282
• Total (000's)	133,050	140,934	140,403	121,029
■ Sick Leave Hours				
• Average	582	578	583	591
• Total (000's)	1,004	1,033	1,016	879

<sup>5</sup> Count reduction due to lay-offs and an early retirement incentive in 2012.

<sup>6</sup> Include Council members.



## PARTICIPANT STATISTICS

### Retirees

	6/30/07	6/30/09	6/30/11	6/30/13
■ Counts				
• City-Paid	64	45	29	10
• Self-Paying	<u>462</u>	<u>486</u>	<u>580</u>	<u>711</u>
• Total	526	531	609	721
■ Averages				
• Age				
➤ City-Paid	68.9	70.1	71.6	73.9
➤ Self-Paying	66.5	67.0	67.3	66.5
➤ Total	66.8	67.2	67.5	66.6
• Service Retirement Age <sup>7</sup>				
➤ Miscellaneous	58.5	58.7	59.3	59.3
➤ Safety	52.7	53.3	54.0	54.2

<sup>7</sup> Includes all retirees for 6/30/07 and 6/30/09 since retirement type information was incomplete.



## PARTICIPANT STATISTICS

### Participant Reconciliation

	Actives	Retirees	Total
■ <b>June 30, 2011</b>	1,742	609	2,351
• Terminations/Deaths	(150)	(74)	(224)
• New Retirees	(175)	175	-
• New Hires	57	-	57
• Data Adjustments <sup>8</sup>	<u>15</u>	<u>11</u>	<u>26</u>
■ <b>June 30, 2013</b>	1,489	721	2,210

<sup>8</sup> Includes 13 actives whose status changed from part-time in 2011 to full-time in 2013.



## PARTICIPANT STATISTICS

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# ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation												
<ul style="list-style-type: none"> <li>■ Valuation Date</li> </ul>	<ul style="list-style-type: none"> <li>■ June 30, 2011</li> <li>■ Fiscal Years 2011/12 &amp; 2012/13</li> </ul>	<ul style="list-style-type: none"> <li>■ June 30, 2013</li> <li>■ Fiscal Years 2013/14 &amp; 2014/15</li> </ul>												
<ul style="list-style-type: none"> <li>■ Discount Rate</li> </ul>	<ul style="list-style-type: none"> <li>■ 4.50% – Not pre-funded, assets in City investments</li> </ul>	<ul style="list-style-type: none"> <li>■ 4.00% – Not pre-funded, assets in City investments</li> </ul>												
<ul style="list-style-type: none"> <li>■ Future Sick Leave Accumulation</li> </ul>	<ul style="list-style-type: none"> <li>■ GFFA – 144 hours/year</li> <li>■ Others – 96 hours/year</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>												
<ul style="list-style-type: none"> <li>■ Future Sick Leave Usage</li> </ul>	<ul style="list-style-type: none"> <li>■ Based on current experience</li> </ul> <table style="margin-left: 40px; border: none;"> <tr> <td colspan="4" style="text-align: center;"><u>GCEA/</u></td> </tr> <tr> <td style="text-align: center;"><u>GMA</u></td> <td style="text-align: center;"><u>IBEW</u></td> <td style="text-align: center;"><u>GFFA</u></td> <td style="text-align: center;"><u>GPOA</u></td> </tr> <tr> <td style="text-align: center;">55%</td> <td style="text-align: center;">70%</td> <td style="text-align: center;">75%</td> <td style="text-align: center;">45%</td> </tr> </table>	<u>GCEA/</u>				<u>GMA</u>	<u>IBEW</u>	<u>GFFA</u>	<u>GPOA</u>	55%	70%	75%	45%	<ul style="list-style-type: none"> <li>■ Same<sup>9</sup></li> </ul>
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<u>GMA</u>	<u>IBEW</u>	<u>GFFA</u>	<u>GPOA</u>											
55%	70%	75%	45%											

<sup>9</sup> Current experience reviewed, no change to assumption.



## ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> <li>■ Medical Trend</li> </ul>	<ul style="list-style-type: none"> <li>■ Non-Medicare – Grading down from 9.0% in 2013/14 to 5.0% in 2021/22</li> <li>■ Medicare – Grading down from 9.4% in 2013/14 to 5.0% in 2021/22</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> <li>■ Non-Medicare – Grading down from 8.5% in 2014/15 to 5.0% in 2021/22</li> <li>■ Medicare – Grading down from 8.9% in 2014/15 to 5.0% in 2021/22</li> </ul>
<ul style="list-style-type: none"> <li>■ Active Employee Participation at Retirement – Sick Leave</li> </ul>	<ul style="list-style-type: none"> <li>■ 100%</li> </ul>	<ul style="list-style-type: none"> <li>■ 90% converts all sick leave hours to RHSP</li> <li>■ 10% converts sick leave hours to both CalPERS service credit and RHSP                             <ul style="list-style-type: none"> <li>• CalPERS service credit – 75%</li> <li>• RHSP – 25%</li> </ul> </li> </ul>



# ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation			
<b>■ Active Employee Participation at Retirement – Medical Plan</b>	<b>■ 95%</b>	<u>SL Hrs</u>	<u>%</u>	<u>SL Hrs</u>	<u>%</u>
		0-299	64%	700-899	83%
		300-399	68%	800-899	87%
		400-499	72%	900-999	91%
		500-599	76%	1000+	95%
		600-699	79%		



# ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation																																																														
<b>■ Service Retirement<sup>10</sup></b>	<b>■ CalPERS 1997-2007 Experience Study</b> <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>DOH</u></th> <th style="text-align: center;"><u>Benefit</u></th> <th style="text-align: center;"><u>Exp. Ret Age</u></th> </tr> </thead> <tbody> <tr> <td rowspan="2">Misc</td> <td>≤ 1/1/11</td> <td>2.5%@55</td> <td>57.7</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>2%@55</td> <td>58.7</td> </tr> <tr> <td rowspan="2">Police</td> <td>≤ 1/1/12</td> <td>3%@50</td> <td>53.6</td> </tr> <tr> <td>&gt; 1/1/12</td> <td>3%@55</td> <td>55.2</td> </tr> <tr> <td rowspan="2">Fire</td> <td>≤ 1/1/11</td> <td>3%@50</td> <td>54.6</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>3%@55</td> <td>56.3</td> </tr> </tbody> </table>		<u>DOH</u>	<u>Benefit</u>	<u>Exp. Ret Age</u>	Misc	≤ 1/1/11	2.5%@55	57.7	> 1/1/11	2%@55	58.7	Police	≤ 1/1/12	3%@50	53.6	> 1/1/12	3%@55	55.2	Fire	≤ 1/1/11	3%@50	54.6	> 1/1/11	3%@55	56.3	<b>■ Classic CalPERS members – CalPERS 1997-2007 Experience Study</b> <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>DOH</u></th> <th style="text-align: center;"><u>Benefit</u></th> <th style="text-align: center;"><u>Exp. Ret Age</u></th> </tr> </thead> <tbody> <tr> <td rowspan="2">Misc</td> <td>≤ 1/1/11</td> <td>2.5%@55</td> <td>58.8</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>2%@55</td> <td>59.8</td> </tr> <tr> <td rowspan="2">Police</td> <td>≤ 1/1/12</td> <td>3%@50</td> <td>53.5</td> </tr> <tr> <td>&gt; 1/1/12</td> <td>3%@55</td> <td>55.0</td> </tr> <tr> <td rowspan="2">Fire</td> <td>≤ 1/1/11</td> <td>3%@50</td> <td>54.7</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>3%@55</td> <td>n/a</td> </tr> </tbody> </table> <b>■ New CalPERS members – Assumptions used in CalPERS AB 340 Actuarial Cost Analysis</b> <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Benefit</u></th> <th style="text-align: center;"><u>Exp. Ret Age</u></th> </tr> </thead> <tbody> <tr> <td>Misc</td> <td>2%@62</td> <td>61.4</td> </tr> <tr> <td>Police</td> <td>2.7%@57</td> <td>56.5</td> </tr> <tr> <td>Fire</td> <td>2.7%@57</td> <td>n/a</td> </tr> </tbody> </table>		<u>DOH</u>	<u>Benefit</u>	<u>Exp. Ret Age</u>	Misc	≤ 1/1/11	2.5%@55	58.8	> 1/1/11	2%@55	59.8	Police	≤ 1/1/12	3%@50	53.5	> 1/1/12	3%@55	55.0	Fire	≤ 1/1/11	3%@50	54.7	> 1/1/11	3%@55	n/a		<u>Benefit</u>	<u>Exp. Ret Age</u>	Misc	2%@62	61.4	Police	2.7%@57	56.5	Fire	2.7%@57	n/a
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<sup>10</sup> Expected retirement age based on current demographic.



# ACTUARIAL ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation																																	
<p>■ Medical Plan at Retirement</p>	<p>■ Based on current experience</p> <p>■ Actives:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>&lt;65</u></th> <th style="text-align: center;"><u>65+</u></th> </tr> </thead> <tbody> <tr> <td>Blue Cross</td> <td style="text-align: center;">55%</td> <td style="text-align: center;">70%</td> </tr> <tr> <td>Blue Card/FFS</td> <td style="text-align: center;">20%</td> <td style="text-align: center;">15%</td> </tr> <tr> <td>CaliforniaCare</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">5%</td> </tr> <tr> <td>Kaiser</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">10%</td> </tr> <tr> <td>Cigna</td> <td style="text-align: center;">0%</td> <td style="text-align: center;">0%</td> </tr> </tbody> </table> <p>■ Retirees:</p> <ul style="list-style-type: none"> <li>• Currently &lt; 65               <ul style="list-style-type: none"> <li>➢ Pre-65 – Same as current elections</li> <li>➢ Post-65 – Post-65 assumption for Actives</li> </ul> </li> <li>• Currently ≥ 65 – Same as current elections</li> </ul>		<u>&lt;65</u>	<u>65+</u>	Blue Cross	55%	70%	Blue Card/FFS	20%	15%	CaliforniaCare	15%	5%	Kaiser	10%	10%	Cigna	0%	0%	<p>■ Based on current experience</p> <p>■ Actives:</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>&lt;65</u></th> <th style="text-align: center;"><u>65+</u></th> </tr> </thead> <tbody> <tr> <td>Blue Cross</td> <td style="text-align: center;">55%</td> <td style="text-align: center;">70%</td> </tr> <tr> <td>Blue Card/FFS</td> <td style="text-align: center;">10%</td> <td style="text-align: center;">15%</td> </tr> <tr> <td>CaliforniaCare</td> <td style="text-align: center;">20%</td> <td style="text-align: center;">5%</td> </tr> <tr> <td>Kaiser</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">10%</td> </tr> </tbody> </table> <p>■ Retirees:</p> <ul style="list-style-type: none"> <li>• Currently &lt; 65               <ul style="list-style-type: none"> <li>➢ Pre-65 – Same as current elections</li> <li>➢ Post-65 – Post-65 assumption for Actives</li> </ul> </li> <li>• Currently ≥ 65 – Same as current elections</li> </ul>		<u>&lt;65</u>	<u>65+</u>	Blue Cross	55%	70%	Blue Card/FFS	10%	15%	CaliforniaCare	20%	5%	Kaiser	15%	10%
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## ACTUARIAL ASSUMPTIONS HIGHLIGHTS

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## RESULTS – GASB 16 (RHSP)

### Actuarial Obligations

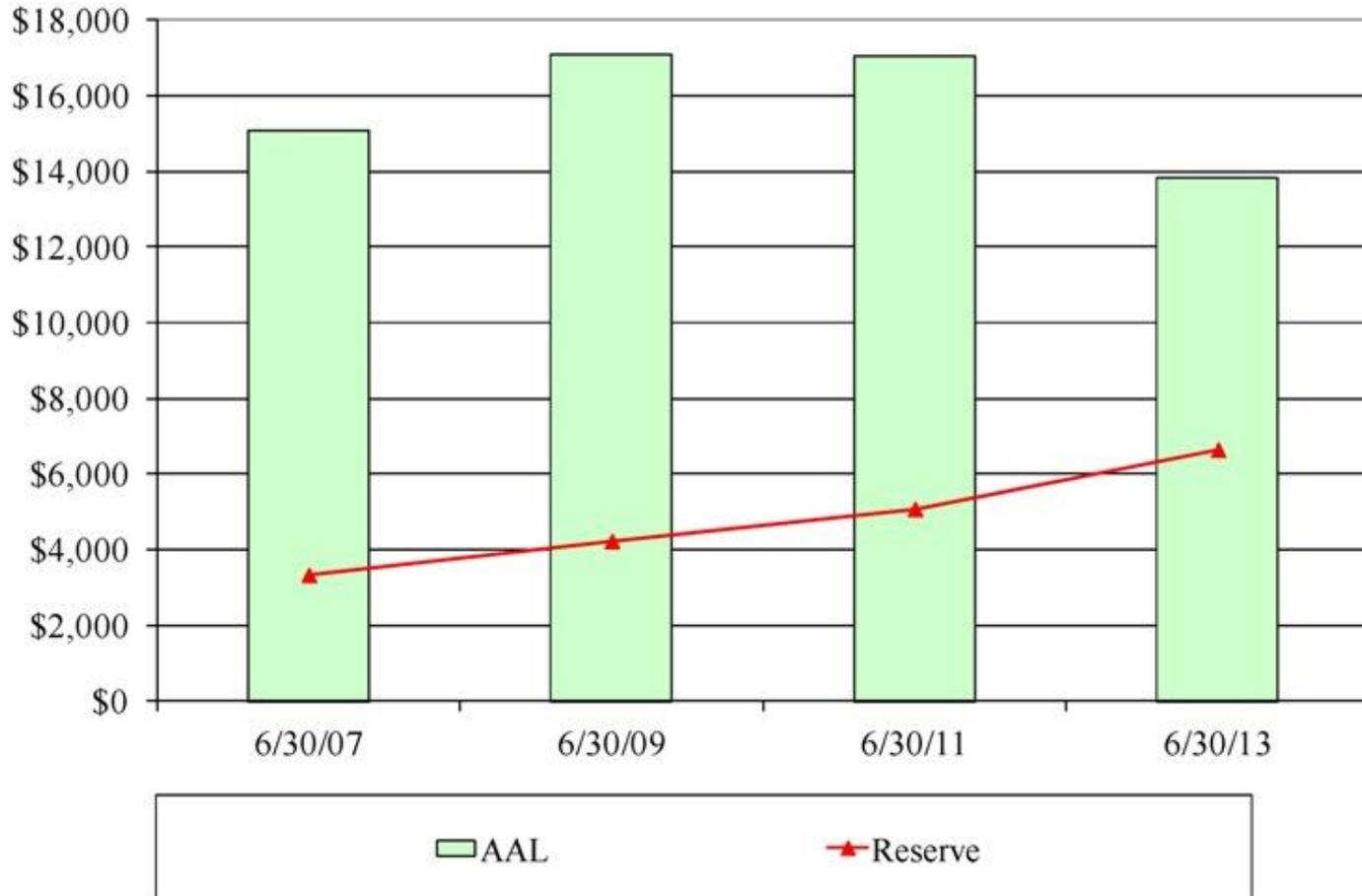
(Amounts in 000's)

	6/30/11	6/30/13
<b>■ Discount Rate</b>	<b>4.50%</b>	<b>4.00%</b>
<b>■ Present Value of Benefits</b>		
• Actives	\$ 24,647	\$ 20,601
• Retirees	<u>          -</u>	<u>          -</u>
• Total	24,647	20,601
<b>■ Actuarial Accrued Liability</b>		
• Actives	17,068	13,815
• Retirees	<u>          -</u>	<u>          -</u>
• Total	17,068	13,815
<b>■ Reserve</b>	<u>  5,092</u>	<u>  6,657</u>
<b>■ Unfunded Actuarial Accrued Liability</b>	11,976	7,158
<b>■ Funded Ratio</b>	29.8%	48.2%
<b>■ Normal Cost</b>	875	741
<b>■ Expected Benefit Payments</b>	1,193	812

# RESULTS – GASB 16 (RHSP)

## Historical Plan Funded Status

(Amounts in 000's)



## RESULTS – GASB 16 (RHSP)

### Estimated Actuarial Gain/Loss Analysis

(Amounts in 000's)

	AAL
■ Actual @ 6/30/11	\$ 17,068
■ Expected @ 6/30/13	18,084
■ (Gains)/Losses	
• Benefit payments more than expected <sup>11</sup>	(3,476)
• Sick leave balance more than expected	90
• Demographic & other	(315)
■ Assumption Changes	
• Participation	(1,056)
• Discount rate lowered from 4.50% to 4.00%	488
■ Total (Gains)/Losses	(4,269)
■ Actual @ 6/30/13	13,815

<sup>11</sup> Mainly due to lay off and early retirement incentive in 2012



**RESULTS – GASB 16 (RHSP)**

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## RESULTS – GASB 16 (RHSP)

### Accrual

(Amounts in 000's)

	6/30/11 Valuation	6/30/13 Valuation
	2011/12	2013/14
<b>■ Discount Rate</b>	<b>4.50%</b>	<b>4.00%</b>
<b>■ ARC - \$</b>		
• Normal Cost	\$ 875	\$ 741
• UAAL Amortization <sup>12</sup>	<u>494</u>	<u>275</u>
• Total	1,369	1,016
<b>■ Projected Payroll</b>	142,599	120,943
<b>■ ARC - %</b>		
• Normal Cost	0.6%	0.6%
• UAAL Amortization	<u>0.3%</u>	<u>0.2%</u>
• Total	1.0%	0.8%

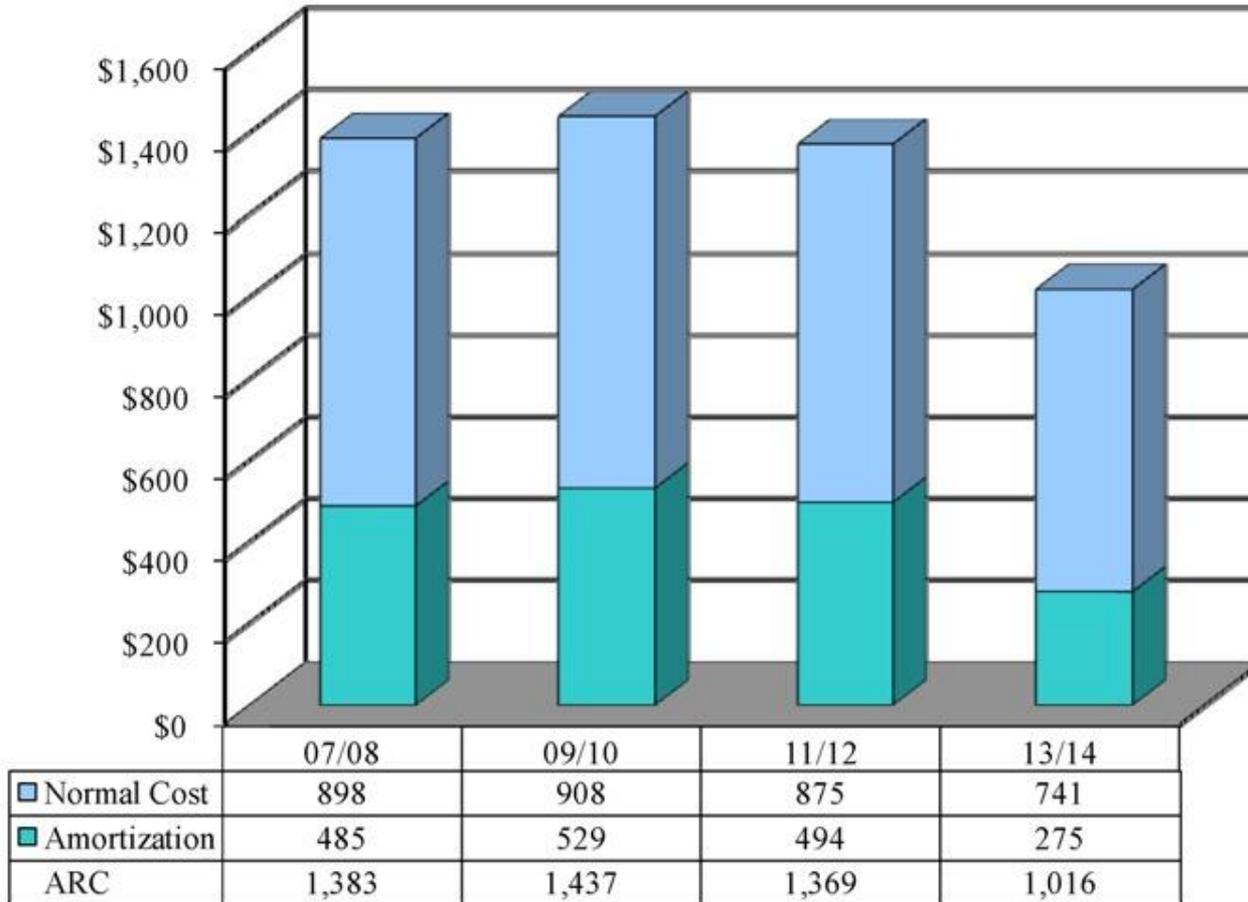
<sup>12</sup> 30-year closed period amortization of UAAL as a level percent of payroll.



# RESULTS – GASB 16 (RHSP)

## Historical Accrual

(Amounts in 000's)



## RESULTS – GASB 16 (RHSP)

### Actuarial Obligations – June 30, 2013

**4.00% Discount Rate**

(Amounts in 000's)

	<b>GMA</b>	<b>GCEA</b>	<b>IBEW</b>	<b>GFFA</b>	<b>GPOA</b>	<b>Total</b>
<b>■ Present Value of Benefits</b>						
• Actives	\$ 6,217	\$ 5,579	\$ 1,154	\$ 2,964	\$ 4,687	\$ 20,601
• Retirees	—	—	—	—	—	—
• Total	6,217	5,579	1,154	2,964	4,687	20,601
<b>■ AAL</b>						
• Actives	4,485	3,663	758	2,031	2,878	13,815
• Retirees	—	—	—	—	—	—
• Total	4,485	3,663	758	2,031	2,878	13,815
<b>■ Reserve<sup>13</sup></b>	<u>2,161</u>	<u>1,765</u>	<u>365</u>	<u>979</u>	<u>1,387</u>	<u>6,657</u>
<b>■ Unfunded AAL</b>	2,324	1,898	393	1,052	1,491	7,158
<b>■ Normal Cost 2013/14</b>	218	197	40	107	179	741
<b>■ Benefit Payments 2013/14</b>	245	239	34	152	141	812

<sup>13</sup> Allocated in proportion to the Actuarial Accrued Liability.



## RESULTS – GASB 16 (RHSP)

### Sick Leave Conversion Hourly Rate Sensitivity

**4.00% Discount Rate**

(Amounts in 000's)

	0%	5% Every 3 years
<b>■ Present Value of Benefits @ 6/30/13</b>	\$ 20,601	\$ 24,357
<b>■ Funded Status @ 6/30/13</b>		
• Actuarial Accrued Liability	13,815	15,615
• Reserve	<u>6,657</u>	<u>6,657</u>
• Unfunded AAL	7,158	8,958
<b>■ Projected Payroll 2013/14</b>	120,943	120,943
<b>■ Accrual 2013/14</b>		
• Normal Cost	741	874
• UAAL Amortization	<u>275</u>	<u>344</u>
• Total	1,016	1,218
• Accrual % of Payroll	0.8%	1.0%

## RESULTS – GASB 45 (OPEB)

### Actuarial Obligations

(Amounts in 000's)

	6/30/07	6/30/09	6/30/11	6/30/13
■ Implied Subsidy	Pre 65 Only	Pre/Post 65	Pre/Post 65	Pre/Post 65
■ Discount Rate	4.50%	4.50%	4.50%	4.00%
■ Present Value of Benefits				
• Actives	\$ 35,968	\$ 119,002	\$ 223,263	\$ 219,759
• Retirees	<u>8,762</u>	<u>38,521</u>	<u>64,684</u>	<u>90,458</u>
• Total	44,730	157,523	287,947	310,217
■ Actuarial Accrued Liability				
• Actives	19,140	65,426	126,379	123,556
• Retirees	<u>8,762</u>	<u>38,521</u>	<u>64,684</u>	<u>90,458</u>
• Total	27,902	103,947	191,063	214,014
■ Actuarial Value of Assets	-	-	-	-
■ Unfunded AAL <sup>14</sup>	27,902	103,947	191,063	214,014
■ UAAL % of Payroll	21.0%	73.8%	136.1%	176.8%
■ Normal Cost	1,478	5,243	10,298	9,343
■ Pay-As-You-Go Cost	1,224	1,537	2,545	2,817

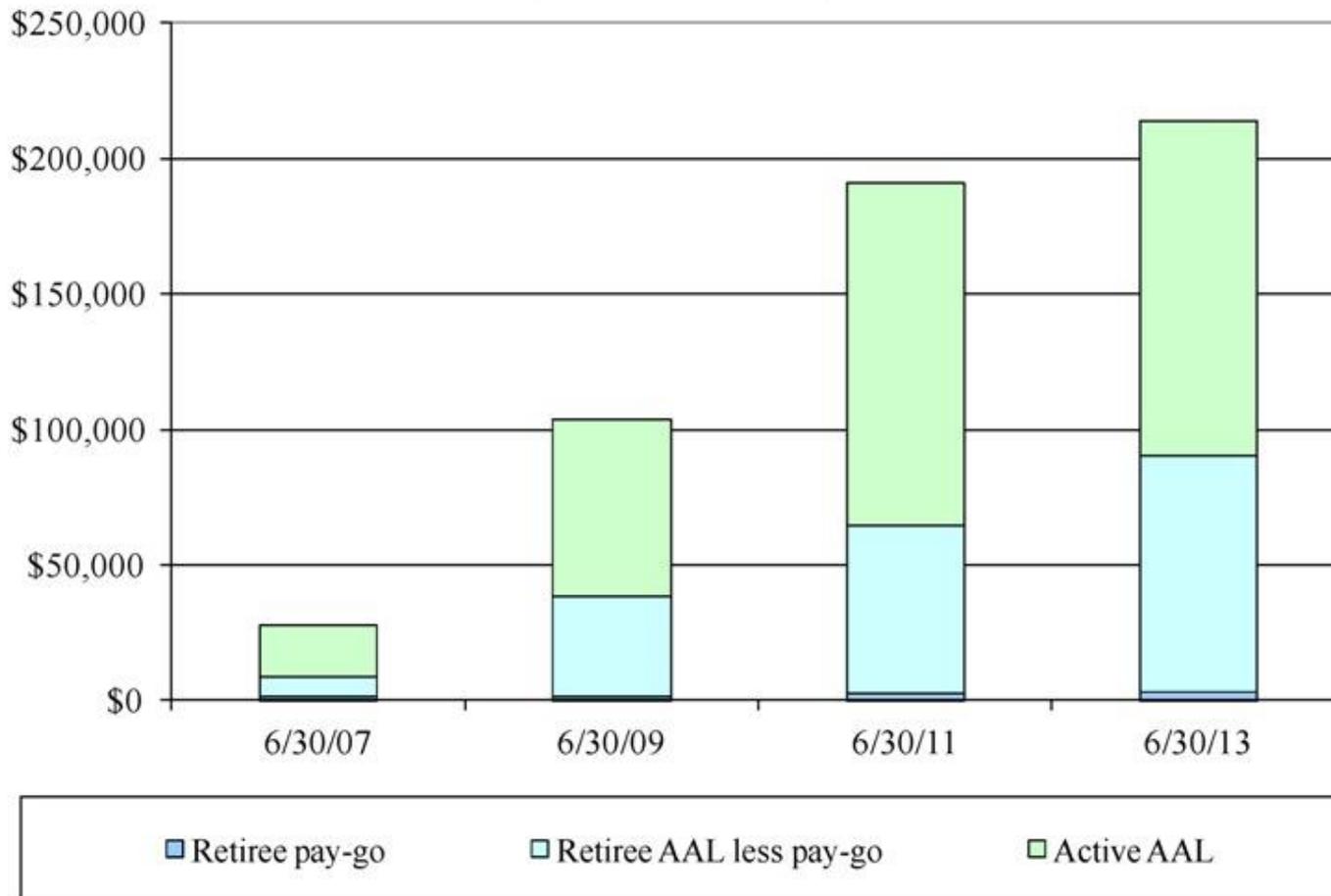
<sup>14</sup> For 6/30/09, Pre-65 liability = \$28,566,000 and Post-65 liability = \$75,381,000.  
 For 6/30/11, Pre-65 liability = \$31,563,000 and Post-65 liability = \$159,500,000.  
 For 6/30/13, Pre-65 liability = \$32,815,000 and Post-65 liability = \$181,199,000.



## RESULTS – GASB 45 (OPEB)

### Historical Actuarial Accrued Liability

(Amounts in 000's)



## RESULTS – GASB 45 (OPEB)

### Estimated Actuarial Gain/Loss Analysis

(Amounts in 000's)

	AAL	(Assets)	UAAL
■ Actual @ 6/30/11	\$ 191,063	\$ -	\$ 191,063
■ Expected @ 6/30/13	224,604	(40,585)	184,019
■ (Gains)/Losses			
• Premiums less than expected	(14,717)	-	(14,717)
• Contribution loss	-	40,585	40,585
• Demographic & other	(8,194)	-	(8,194)
■ Assumption Changes			
• Medical plan election	477	-	477
• Participation	(9,749)	-	(9,749)
• Discount rate lowered from 4.50% to 4.00%	21,593	-	21,593
■ Total Changes	(10,590)	40,585	29,995
■ Actual @ 6/30/13	214,014	-	214,014



## RESULTS – GASB 45 (OPEB)

### Schedule of Funding Progress

(Amounts in 000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
6/30/07	\$ -	\$ 27,902	\$ 27,902	0.0%	\$ 133,050	21.0%
6/30/09	-	103,947	103,947	0.0%	140,934	73.8%
6/30/11	-	191,063	191,063	0.0%	140,403	136.1%
6/30/13	-	214,014	214,014	0.0%	121,029	176.8%

## RESULTS – GASB 45 (OPEB)

### Annual Required Contribution (ARC)

(Amounts in 000's)

	6/30/11 Valuation		6/30/13 Valuation	
	2011/12	2012/13	2013/14	2014/15
<b>■ Discount Rate</b>	<b>4.50%</b>		<b>4.00%</b>	
<b>■ ARC - \$</b>				
• Normal Cost	\$ 10,298	\$ 10,633	\$ 9,343	\$ 9,647
• UAAL Amortization <sup>15</sup>	<u>11,153</u>	<u>12,972</u>	<u>13,662</u>	<u>15,624</u>
• Total	21,451	23,605	23,005	25,271
<b>■ Projected Payroll</b>	142,666	147,303	121,029	124,962
<b>■ ARC - %</b>				
• Normal Cost	7.2%	7.2%	7.7%	7.7%
• UAAL Amortization	<u>7.8%</u>	<u>8.8%</u>	<u>11.3%</u>	<u>12.5%</u>
• Total	15.0%	16.0%	19.0%	20.2%

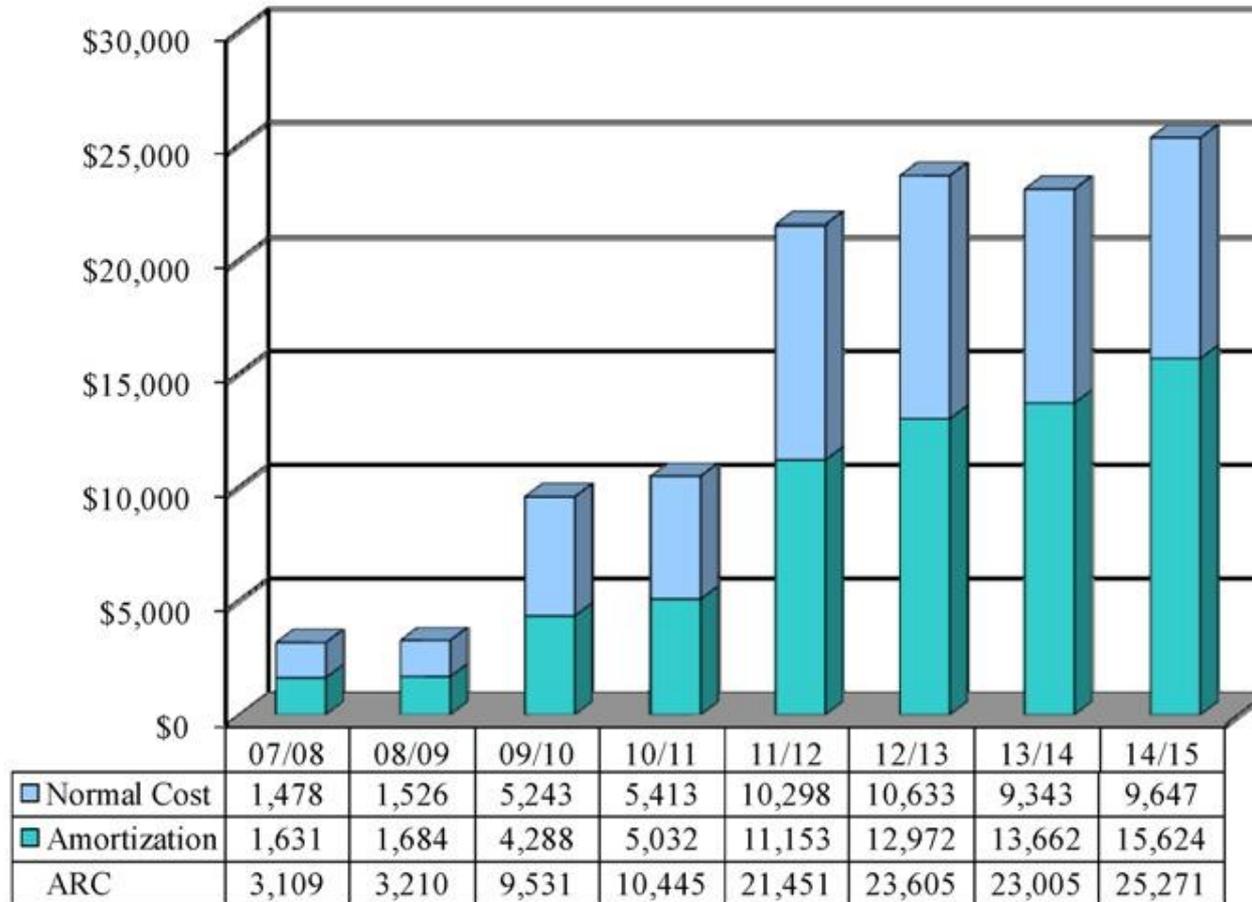
<sup>15</sup> 30-year closed period amortization of 6/30/09 UAAL beginning 2009/10.  
15-year closed period amortization of subsequent assumption changes and gains/losses.



## RESULTS – GASB 45 (OPEB)

### Historical Annual Required Contributions

(Amounts in 000's)



## RESULTS – GASB 45 (OPEB)

### Amortization Bases

(Amounts in 000's)

	6/30/11 Valuation		6/30/13 Valuation	
	6/30/11	6/30/12	6/30/13	6/30/14
<b>■ Discount Rate</b>	<b>4.50%</b>		<b>4.00%</b>	
<b>■ Outstanding Balance</b>				
• 2009 Fresh Start UAAL	\$ 104,605	\$ 104,741	\$ 104,735	\$ 104,345
• Assumption Changes & (Gains)/Losses				
➤ 2011 Valuation	70,625	68,459	66,020	63,146
➤ 2013 Valuation	-	-	(10,710)	(10,358)
• Contribution (Gains)/Losses	<u>15,833</u>	<u>34,214</u>	<u>53,970</u>	<u>71,911</u>
• Total	191,063	207,414	214,014	229,044

## RESULTS – GASB 45 (OPEB)

### Amortization Payments

(Amounts in 000's)

	6/30/11 Valuation		6/30/13 Valuation	
	2011/12	2012/13	2013/14	2014/15
<b>■ Discount Rate</b>	<b>4.50%</b>		<b>4.00%</b>	
<b>■ Amortization Payment - \$</b>				
• 2009 Fresh Start UAAL <sup>16</sup>	\$ 4,571	\$ 4,720	\$ 4,579	\$ 4,728
• Assumption Changes & (Gains)/Losses <sup>17</sup>				
➤ 2011 Valuation	5,345	5,519	5,514	5,693
➤ 2013 Valuation	-	-	(781)	(806)
• Contribution (Gains)/Losses <sup>18</sup>	<u>1,237</u>	<u>2,733</u>	<u>4,350</u>	<u>6,009</u>
• Total	11,153	12,972	13,662	15,624
<b>■ Average Amortization Years</b>	20.0	18.5	17.3	16.1

<sup>16</sup> Amortized over 30-year closed period beginning 2009/10.

<sup>17</sup> Amortized over 15-year closed periods.

<sup>18</sup> Amortized over 15-year closed periods.



## RESULTS – GASB 45 (OPEB)

### Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in 000's)	Actual 2011/12	Actual 2012/13	Estimated 2013/14	Estimated 2014/15
<b>■ NOO at Beginning of Year</b>	\$ 19,855	\$ 38,242	\$ 57,997	\$ 75,923
<b>■ Annual OPEB Cost (AOC)</b>				
• Annual Required Contribution	21,451	23,605	23,005	25,271
• Interest on NOO	893	1,721	2,264	2,974
• Amortization of NOO	<u>(1,412)</u>	<u>(2,914)</u>	<u>(4,526)</u>	<u>(6,191)</u>
• Annual OPEB Cost	20,932	22,412	20,743	22,054
<b>■ Contributions</b>				
• Benefit Payments and Fees				
➤ Cash Subsidy <sup>19</sup>	140	96	55	47
➤ Implied Subsidy	<u>2,405</u>	<u>2,561</u>	<u>2,762</u>	<u>3,086</u>
➤ Total	2,545	2,657	2,817	3,133
• Trust Pre-Funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
• Total Contribution	2,545	2,657	2,817	3,133
<b>■ NOO at End of Year</b>	38,242	57,997	75,923	94,844

<sup>19</sup> Estimated cash payments shown for 2013/14 to 2014/15. Actual cash payments should be used for OPEB footnote.



## RESULTS – GASB 45 (OPEB)

### Projected Benefit Payments

(Amounts in 000's)

Fiscal Year	Projected Benefit Payments			Payroll	Benefit Payments as % of Payroll
	Cash Subsidy	Implied Subsidy	Total		
2013/14	\$ 55	\$ 2,762	\$ 2,817	\$ 121,029	2.3%
2014/15	47	3,086	3,133	124,962	2.5%
2015/16	43	3,426	3,469	129,023	2.7%
2016/17	35	3,893	3,928	133,217	2.9%
2017/18	35	4,326	4,361	137,546	3.2%
2018/19	34	4,700	4,734	142,016	3.3%
2019/20	25	5,161	5,186	146,632	3.5%
2020/21	15	5,702	5,717	151,398	3.8%
2021/22	12	6,227	6,239	156,318	4.0%
2022/23	12	6,670	6,682	161,398	4.1%



## RESULTS – GASB 45 (OPEB)

### Estimated No Pre-Funding (Pay-Go) Illustration

**4.00% Discount Rate**

(Amounts in 000's)

FYE June 30,	Beginning of Year Net OPEB Obligation	ARC	Annual OPEB Cost (AOC)	Contribution			Payroll	ARC as % of Payroll	Contrib as % of Payroll
				Benefit Pmts	Pre- Funding	Total Contrib			
2014	\$57,997	\$23,005	\$20,743	\$2,817	\$ -	\$2,817	\$121,029	19.0%	2.3%
2015	75,923	25,271	22,054	3,133	-	3,133	124,962	20.2%	2.5%
2016	94,844	27,772	23,424	3,469	-	3,469	129,023	21.5%	2.7%
2017	114,799	30,539	24,854	3,928	-	3,928	133,217	22.9%	2.9%
2018	135,725	33,598	26,343	4,361	-	4,361	137,546	24.4%	3.2%
2019	157,707	36,997	27,897	4,734	-	4,734	142,016	26.1%	3.3%
2020	180,870	40,796	29,520	5,186	-	5,186	146,632	27.8%	3.5%
2021	205,204	45,051	31,211	5,717	-	5,717	151,398	29.8%	3.8%
2022	230,698	49,829	32,971	6,239	-	6,239	156,318	31.9%	4.0%
2023	257,430	55,229	34,808	6,682	-	6,682	161,398	34.2%	4.1%



## RESULTS – GASB 45 (OPEB)

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## RESULTS – GASB 45 (OPEB)

### Actuarial Obligations – June 30, 2013

#### Cash Subsidy vs. Implied Subsidy

**4.00% Discount Rate**

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
<b>■ Present Value of Benefits</b>			
• Actives	\$ -	\$ 219,759	\$ 219,759
• Retirees	<u>345</u>	<u>90,113</u>	<u>90,458</u>
• Total	345	309,872	310,217
<b>■ Actuarial Accrued Liability</b>			
• Actives	-	123,556	123,556
• Retirees	<u>345</u>	<u>90,113</u>	<u>90,458</u>
• Total	345	213,669	214,014
<b>■ Actuarial Value of Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>■ Unfunded Actuarial Accrued Liability</b>	345	213,669	214,014
<b>■ Normal Cost 2013/14</b>	-	9,343	9,343
<b>■ Pay-As-You-Go Cost 2013/14</b>	55	2,762	2,817

## RESULTS – GASB 45 (OPEB)

### Annual Required Contribution (ARC) – 2013/14 Fiscal Year

#### Cash Subsidy vs. Implied Subsidy

**4.00% Discount Rate**

(Amounts in 000's)

	Cash Subsidy	Implied Subsidy	Total
<b>■ ARC - \$</b>			
• Normal Cost	\$ -	\$ 9,343	\$ 9,343
• UAAL Amortization <sup>20</sup>	<u>22</u>	<u>13,640</u>	<u>13,662</u>
• Total	22	22,983	23,005
<b>■ Projected Payroll</b>	-	121,029	121,029
<b>■ ARC - %</b>			
• Normal Cost	n/a	7.7%	7.7%
• UAAL Amortization	<u>n/a</u>	<u>11.3%</u>	<u>11.3%</u>
• Total	n/a	19.0%	19.0%

<sup>20</sup> 30-year closed period amortization of 6/30/09 UAAL beginning 2009/10.  
15-year closed period amortization of subsequent assumption changes and gains/losses.

## RESULTS – GASB 45 (OPEB)

### Actuarial Obligations – June 30, 2013 By Bargaining Unit 4.00% Discount Rate (Amounts in 000's)

	GMA	GCEA	IBEW	GFFA	GPOA	Total
<b>■ Present Value of Benefits</b>						
• Actives	\$46,351	\$83,933	\$18,235	\$28,170	\$43,070	\$219,759
• Retirees	<u>30,064</u>	<u>32,303</u>	<u>2,889</u>	<u>14,733</u>	<u>10,469</u>	<u>90,458</u>
• Total	76,415	116,236	21,124	42,903	53,539	310,217
<b>■ AAL</b>						
• Actives	29,593	47,193	10,544	15,162	21,064	123,556
• Retirees	<u>30,064</u>	<u>32,303</u>	<u>2,889</u>	<u>14,733</u>	<u>10,469</u>	<u>90,458</u>
• Total	59,657	79,496	13,433	29,895	31,533	214,014
<b>■ Actuarial Value of Assets</b>	-	-	-	-	-	-
<b>■ Unfunded AAL</b>	59,657	79,496	13,433	29,895	31,533	214,014
<b>■ Normal Cost 2013/14</b>	1,948	3,736	703	1,132	1,824	9,343
<b>■ PayGo Cost 2013/14</b>	937	1,324	56	298	202	2,817

## RESULTS – GASB 45 (OPEB)

### Annual Required Contribution (ARC) – 2013/14 Fiscal Year

**By Bargaining Unit**  
**4.00% Discount Rate**  
 (Amounts in 000's)

	<b>GMA</b>	<b>GCEA</b>	<b>IBEW</b>	<b>GFFA</b>	<b>GPOA</b>	<b>Total</b>
<b>■ ARC - \$</b>						
• Normal Cost	\$ 1,948	\$ 3,736	\$ 703	\$ 1,132	\$ 1,824	\$ 9,343
• UAAL Amortization <sup>21</sup>	<u>3,808</u>	<u>5,075</u>	<u>858</u>	<u>1,908</u>	<u>2,013</u>	<u>13,662</u>
• Total	5,756	8,811	1,561	3,040	3,837	23,005
<b>■ Projected Payroll</b>	33,417	39,500	10,909	14,442	22,760	121,029
<b>■ ARC - %</b>						
• Normal Cost	5.8%	9.5%	6.4%	7.8%	8.0%	7.7%
• UAAL Amortization	<u>11.4%</u>	<u>12.8%</u>	<u>7.9%</u>	<u>13.2%</u>	<u>8.8%</u>	<u>11.3%</u>
• Total	17.2%	22.3%	14.3%	21.0%	16.9%	19.0%

<sup>21</sup> 30-year closed period amortization of 6/30/09 UAAL beginning 2009/10.  
 15-year closed period amortization of subsequent assumption changes and gains/losses.



## RESULTS – GASB 45 (OPEB)

### Discount Rate Sensitivity

(Amounts in 000's)

	Pre-Funding	Pre-Funding	No Pre-Funding
<b>■ Discount Rate</b>	<b>7.25%</b>	<b>5.50%</b>	<b>4.00%</b>
<b>■ Present Value of Benefits</b>	\$ 140,257	\$ 208,928	\$ 310,217
<b>■ Funded Status 6/30/13</b>			
• Actuarial Accrued Liability	113,919	157,168	214,014
• Actuarial Value of Assets	<u>-</u>	<u>-</u>	<u>-</u>
• Unfunded AAL	113,919	157,168	214,014
<b>■ Projected Payroll 2013/14</b>	121,029	121,029	121,029
<b>■ ARC 2013/14</b>			
• Normal Cost	3,433	5,791	9,343
• UAAL Amortization <sup>22</sup>	<u>8,633</u>	<u>10,882</u>	<u>13,662</u>
• Total	12,066	16,673	23,005
• ARC % of Payroll	10.0%	13.8%	19.0%

<sup>22</sup> 30-year closed period amortization of 6/30/09 UAAL beginning 2009/10.  
15-year closed period amortization of subsequent assumption changes and gains/losses.



### Alternative Benefits

- Current OPEB liability: \$214 million
- If one of the following occurs then the OPEB liability will be reduced to \$0.345 million which is the liability for the cash subsidy for retirees retired 7/1/01.
  - City does not allow current and future retirees to participate in City’s healthcare plans or
  - City does allow current and future retirees to participate in the City’s healthcare plans but ask them to pay the premium rates that are equivalent to their own expected claims.

- Pension accounting changes issued 6/25/12:
  - Effective for 2014/15 fiscal year
- Fundamental changes
  - Delinks contributions and accounting
  - Unfunded liability recognition drives expense
- Major issues:
  - Unfunded liability on balance sheet
  - Lower discount rate if projected assets do not cover projected benefit payments
  - Immediate recognition of:
    - Service & interest cost
    - Benefit changes
  - Deferred recognition of:
    - Gains/losses & assumption changes, over future working lifetime (average of active and inactive employees) closed period
    - Asset gains/losses over 5 years
- Entry age normal cost method required

## New OPEB Accounting Standard

- New OPEB Accounting Standard similar to GASB 67 & 68:
  - Effective for Plan accounting for years beginning > 12/15/2015
  - Effective for Employer accounting for years beginning > 12/15/2016 (if plan administered through trust) → FY 17/18
  - Anticipated Timing:
    - Exposure Draft → April 2014
    - Comments → May-July 2014
    - Hearing → August 2014
    - Final → June 2015

## CALPERS RATE CHANGES

- On April 17, 2013, CalPERS Board approved contribution policy changes:
  - Reasons:
    - Asset corridor generates volatility with extreme events
    - Slow funded status progress
    - Improved transparency
    - GASB 68 discount rate implications
  - “Direct Rate Smoothing” effective for 2015/16 rates:
    - Use market value of assets, eliminate actuarial asset value
    - Fixed amortization periods for future gains and losses  
5-year ramp up; 20 years full payment; 5-year ramp down
    - Fixed amortization periods for future assumption changes –  
5-year ramp up; 10 years full payment; 5-year ramp down
    - Rolling amortization eliminated for existing amortization bases
    - Normal Cost not smoothed.
  - Impact:
    - Likely higher contribution rates and higher volatility in normal years but much less volatility for extreme events
    - Chief Actuary believes easier for Board to accept assumption changes (see below)

## CALPERS RATE CHANGES

- On February 18, 2014, CalPERS Board approved a new asset allocation and new demographic actuarial assumptions
  - No economic assumption changes – discount rate remains at 7.50% based on new asset allocation:
  - Largest impact is 20-year mortality projection reflecting longer life expectancies.
  - Increased retirement for Police 3%@50, Fire 3%@55, and Miscellaneous 2.7%@55 and 3%@60.
  - Higher pay increases for long-service Safety members
- Rates first affected in FY 2016/17 (6/30/14 valuation), full impact in FY 2020/21
- CalPERS provided sample rate increase ranges
- These rate increases are in addition to increases from contribution policy changes which are first effective in FY 2015/16
- New Safety Members (PEPRA) member rates will likely increase

## CERBT INVESTMENT OPTIONS

- Additional CERBT asset allocations and revised discount rate assumption
  - Agency selects one option effective July 1, 2011
- Target asset allocations

Asset Classifications	Option 1	Option 2	Option 3
Global Equity	66.0%	50.1%	31.6%
US Nominal Bonds	18.0%	23.9%	42.4%
REIT's	8.0%	8.0%	8.0%
U.S. Inflation Linked Bonds	5.0%	15.0%	15.0%
Commodities	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
Total	100.0%	100.0%	100.0%

- CalPERS reported expected returns (20 year period):

	Option 1	Option 2	Option 3
75% Confidence Limit <sup>23</sup>	5.80%	5.60%	5.25%
<b>50% Confidence Limit</b>	<b>7.61%</b>	<b>7.06%</b>	<b>6.39%</b>
25% Confidence Limit	9.43%	8.52%	7.47%
Standard Deviation	11.73%	9.46%	7.27%

<sup>23</sup> Confidence Limits – Actual Return will exceed the given rate with indicated probabilities, rates vary by year.



## CERBT INVESTMENT OPTIONS

- CalPERS discount rate development:
  - 1<sup>st</sup> 10 year expected returns – based on asset advisors 10 year projections
  - Significantly higher returns assumed after 10 years
    - based on long term historical returns
    - implies actuarial losses in 1<sup>st</sup> 10 years
    - achievable?
- Requirement that discount rate cannot be greater than 50% confidence limit rate
- Bartel Associates Recommendation: select rate at 55% or 60% confidence limit

	Option 1	Option 2	Option 3
	<b>55% Confidence Limit</b>		
Discount Rate	<b>7.25%</b>	<b>6.75%</b>	<b>6.25%</b>
Maximum Discount Rate	<u>7.61%</u>	<u>7.06%</u>	<u>6.39%</u>
Margin for Adverse Deviation	(0.36%)	(0.31%)	(0.14%)
	<b>60% Confidence Limit</b>		
Discount Rate	<b>7.00%</b>	<b>6.50%</b>	<b>6.00%</b>
Maximum Discount Rate	<u>7.61%</u>	<u>7.06%</u>	<u>6.39%</u>
Margin for Adverse Deviation	(0.61%)	(0.56%)	(0.39%)

## ACTUARIAL CERTIFICATION

This report presents the City of Glendale (“City”) Retiree Healthcare Plan (“Plan”) June 30, 2013 actuarial valuation. The purpose of this valuation is to:

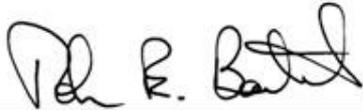
- Determine the Governmental Accounting Standards Board Statement No. 45 June 30, 2013 Benefit Obligations,
- Determine the Plan’s June 30, 2013 Funded Status, and
- Calculate the 2013/14 and 2014/15 Annual Required Contributions.

The report provides information intended for reporting under GASB 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the Plan’s financial management. Future valuations may differ significantly if the Plan’s experience differs from our assumptions or if there are changes in Plan design, actuarial methods or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principals and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASB 45. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,



John E. Bartel, ASA, MAAA, FCA  
President  
Bartel Associates, LLC  
June 3, 2014



Bianca Lin, FSA, MAAA, EA  
Assistant Vice President  
Bartel Associates, LLC  
June 3, 2014

## EXHIBITS

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## EXHIBIT – PREMIUMS

### **Active Monthly Medical Premiums (Blended) – 2013-14** **(Effective June 1, 2013)**

<b>Medical Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>
Blue Cross PPO 80/60 <sup>24</sup>	\$ 511.49	\$ 1,309.39	\$ 1,856.69
Blue Cross PPO 90/60 <sup>25</sup>	545.84	1,397.29	1,981.29
CaliforniaCare	465.69	977.92	1,396.98
Kaiser	441.45	882.85	1,249.27

<sup>24</sup> For GCEA, IBEW, GFFA & GPOA.

<sup>25</sup> For GMA.



**EXHIBIT – PREMIUMS**

**Retiree Monthly Medical Premiums (Blended) – 2013-14**  
**(Effective June 1, 2013)**

Medical Plan	Non Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Cross PPO 80/60	\$502.35	\$1,285.97	\$1,823.47	\$259.97	\$519.93	\$ 779.86
Blue Card PPO/FFS <sup>26</sup>	509.31	1,303.83	1,848.80	259.97	519.93	779.86
CaliforniaCare	465.69	977.92	1,396.98	461.66	923.29	1,388.97
Kaiser	441.45	882.85	1,249.27	143.90	287.80	652.27

<sup>26</sup> For Out of State retirees.



## EXHIBIT – PREMIUMS

### **Active Monthly Medical Premiums (Unblended) – 2013-14** **(Effective June 1, 2013)**

<b>Medical Plan</b>	<b>Single</b>	<b>2-Party</b>	<b>Family</b>
Blue Cross PPO 80/60 <sup>27</sup>	\$ 482.70	\$ 1,235.61	\$ 1,752.26
Blue Cross PPO 90/60 <sup>28</sup>	515.17	1,318.70	1,870.05
CaliforniaCare	462.88	972.02	1,388.53
Kaiser	441.20	882.40	1,248.59

<sup>27</sup> For GCEA, IBEW, GFFA & GPOA.

<sup>28</sup> For GMA.



## EXHIBIT – PREMIUMS

### Retiree Monthly Medical Premiums (Unblended) – 2013-14 (Effective June 1, 2013)

Medical Plan	Non Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Cross PPO 80/60	\$474.04	\$1,213.49	\$1,720.84	\$476.47	\$954.25	\$1,430.90
Blue Card PPO/FFS <sup>29</sup>	480.66	1,230.37	1,744.76	476.47	954.25	1,430.90
CaliforniaCare	462.88	972.02	1,388.53	550.12	1,100.24	1,563.12
Kaiser	441.20	882.40	1,248.59	148.86	297.72	662.27

<sup>29</sup> For Out of State retirees.



## EXHIBIT – DATA SUMMARY

### Active Participant Statistics June 30, 2013

	GMA <sup>30</sup>	GCEA <sup>31</sup>	IBEW	GFFA	GPOA	Total
■ Count	304	682	136	142	225	1,489
■ Average Age	47.5	44.1	42.2	42.4	38.7	43.7
■ Average City Service	15.5	12.9	13.6	14.9	13.0	13.7
■ Payroll						
• Average	\$ 109,925	\$ 57,918	\$ 80,213	\$ 101,708	\$ 101,156	\$ 81,282
• Total (000's)	33,417	39,500	10,909	14,442	22,760	121,029
■ Sick Leave Hours						
• Average	765	426	462	879	750	591
• Total (000's)	232	291	63	125	169	879

<sup>30</sup> Includes 16 Executives.

<sup>31</sup> Includes 5 Council members.



## EXHIBIT – DATA SUMMARY

### Active Participant Statistics June 30, 2011

	GMA <sup>32</sup>	GCEA <sup>33</sup>	IBEW	GFFA	GPOA	Total
■ Count	370	801	176	167	228	1,742
■ Average Age	48.5	44.2	41.6	42.1	38.2	43.9
■ Average City Service	15.5	12.5	12.7	15.0	12.6	13.4
■ Payroll						
• Average	\$ 109,276	\$ 57,294	\$ 79,026	\$ 99,794	\$ 103,089	\$ 80,599
• Total (000's)	40,432	45,892	13,909	16,666	23,504	140,403
■ Sick Leave Hours						
• Average	772	408	481	875	759	583
• Total (000's)	286	327	85	146	173	1,016

<sup>32</sup> Includes 17 Executives.

<sup>33</sup> Includes 5 Council members.



## EXHIBIT – DATA SUMMARY

### Retiree Participant Statistics June 30, 2013

	GMA <sup>34</sup>	GCEA <sup>35</sup>	IBEW	GFFA	GPOA	Total
■ Count						
• City-Paid	4	5	-	1	-	10
• Self-Paying	<u>228</u>	<u>313</u>	<u>17</u>	<u>86</u>	<u>67</u>	<u>711</u>
• Total	232	318	17	87	67	721
■ Averages						
• Age						
➤ City-Paid	70.8	77.2	n/a	69.4	n/a	73.9
➤ Self-Paying	66.5	69.8	58.1	62.3	59.2	66.5
➤ Total	66.6	69.9	58.1	62.4	59.2	66.6
• Retirement Age						
➤ Service	58.8	59.4	57.3	54.2	53.7	58.1
➤ Disability	55.8	47.2	n/a	53.8	49.0	50.1

<sup>34</sup> Includes 26 Executives.

<sup>35</sup> Includes 5 Council members.



## EXHIBIT – DATA SUMMARY

### Retiree Participant Statistics June 30, 2011

	GMA <sup>36</sup>	GCEA <sup>37</sup>	IBEW	GFFA	GPOA	Total
■ Count						
• City-Paid	11	11	-	4	3	29
• Self-Paying	<u>174</u>	<u>285</u>	<u>-</u>	<u>68</u>	<u>53</u>	<u>580</u>
• Total	185	296	-	72	56	609
■ Averages						
• Age						
➤ City-Paid	70.5	74.7	n/a	66.2	71.0	71.6
➤ Self-Paying	66.7	70.6	n/a	62.4	57.8	67.3
➤ Total	66.9	70.8	n/a	62.6	58.5	67.5
• Retirement Age						
➤ Service	58.8	59.4	n/a	53.9	53.4	58.2
➤ Disability	55.6	48.4	n/a	52.4	48.7	49.7

<sup>36</sup> Includes 22 Executives.

<sup>37</sup> Includes 7 Council members.



## EXHIBIT – DATA SUMMARY

### Medical Plan Participation Non-Waived Participants

Medical Plan	Actives	Retirees	
		< 65	≥ 65
Blue Cross PPO <sup>38</sup>	52%	56%	71%
Blue Card PPO/FFS	0%	11%	15%
CaliforniaCare	23%	20%	4%
Kaiser	25%	13%	10%
Total	100%	100%	100%

<sup>38</sup> Includes Blue Cross PPO 80/60 and Blue Cross PPO 90/60.



## EXHIBIT – DATA SUMMARY

### Active Medical Coverage

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Cross PPO 80/60	175	86	242	-	503
Blue Cross PPO 90/60	55	37	113	-	205
CaliforniaCare	84	61	175	-	320
Kaiser	109	64	162	-	335
Waived	-	-	-	126	126
Total	423	248	692	126	1,489

## EXHIBIT – DATA SUMMARY

### Retiree Medical Coverage Under Age 65

Medical Plan	Single	2-Party	Family	Total
Blue Cross PPO 80/60	113	60	26	199
Blue Card PPO/FFS	25	10	5	40
CaliforniaCare	31	20	22	73
Kaiser	19	17	10	46
Total	188	107	63	358

## EXHIBIT – DATA SUMMARY

### Retiree Medical Coverage Age 65 & Over

Medical Plan	Single	2-Party	Family	Total
Blue Cross PPO 80/60	127	126	4	257
Blue Card PPO/FFS	30	23	-	53
CaliforniaCare	10	4	1	15
Kaiser	16	22	-	38
Total	183	175	5	363

## EXHIBIT – DATA SUMMARY

### Actives by Age and City Service Miscellaneous

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	12	2	-	-	-	-	14
25-29	4	20	33	11	-	-	-	68
30-34	3	28	47	34	5	-	-	117
35-39	5	18	68	58	26	2	-	177
40-44	2	13	61	56	35	17	-	184
45-49	3	9	29	53	30	38	19	181
50-54	-	12	31	41	16	38	51	189
55-59	-	7	23	19	15	18	31	113
60-64	-	1	-	14	10	7	12	44
≥ 65	-	-	1	6	3	1	4	15
Total	17	120	295	292	140	121	117	1,102



## EXHIBIT – DATA SUMMARY

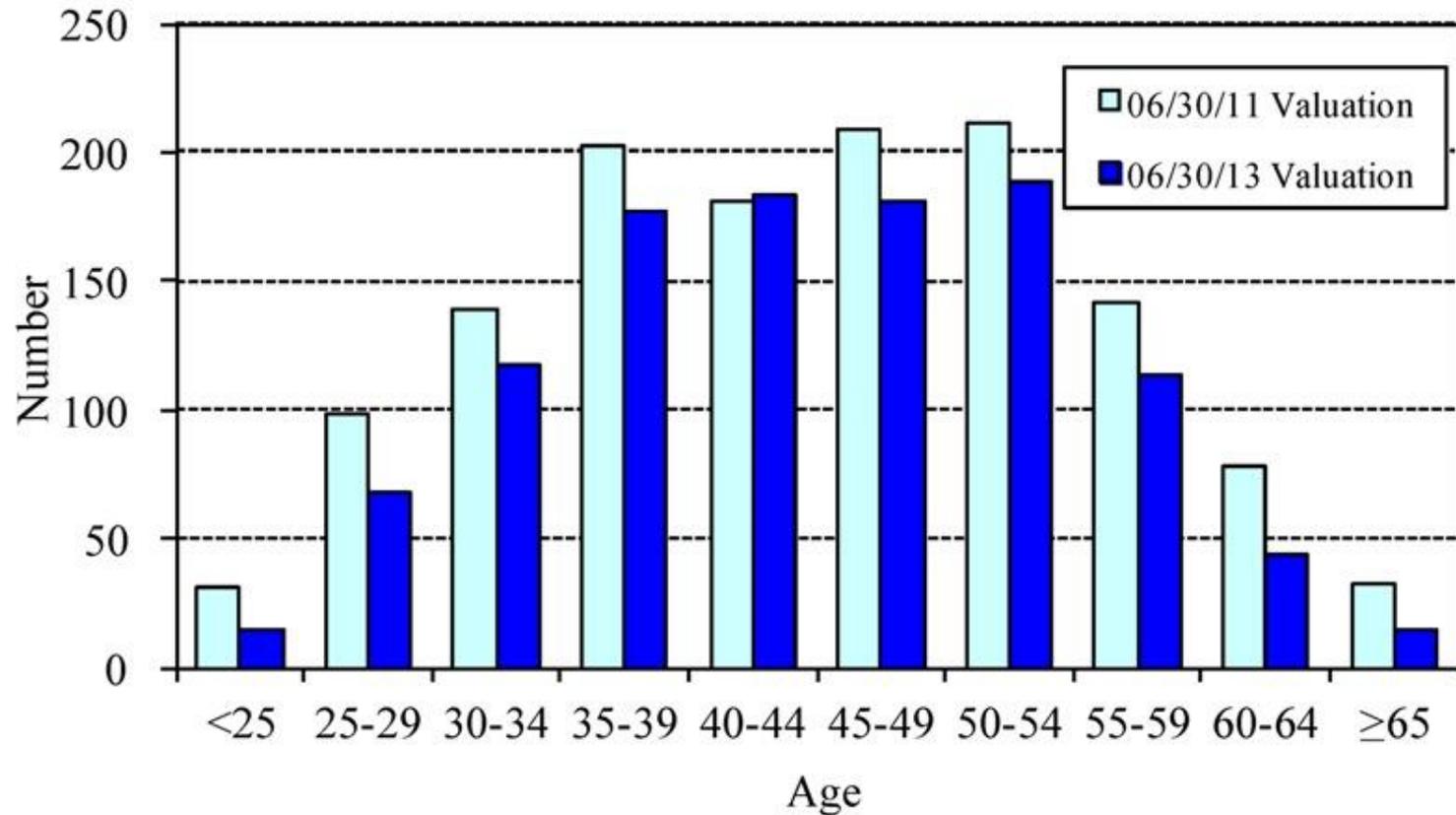
### Actives by Age and City Service Safety

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	1	5	-	-	-	-	-	6
25-29	2	11	21	2	-	-	-	36
30-34	1	10	49	14	1	-	-	75
35-39	-	1	32	36	8	-	-	77
40-44	-	1	10	20	20	6	1	58
45-49	-	1	2	6	14	24	19	66
50-54	-	-	-	3	9	16	29	57
55-59	-	-	-	-	1	2	8	11
60-64	-	-	-	-	-	-	1	1
≥ 65	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>29</b>	<b>114</b>	<b>81</b>	<b>53</b>	<b>48</b>	<b>58</b>	<b>387</b>



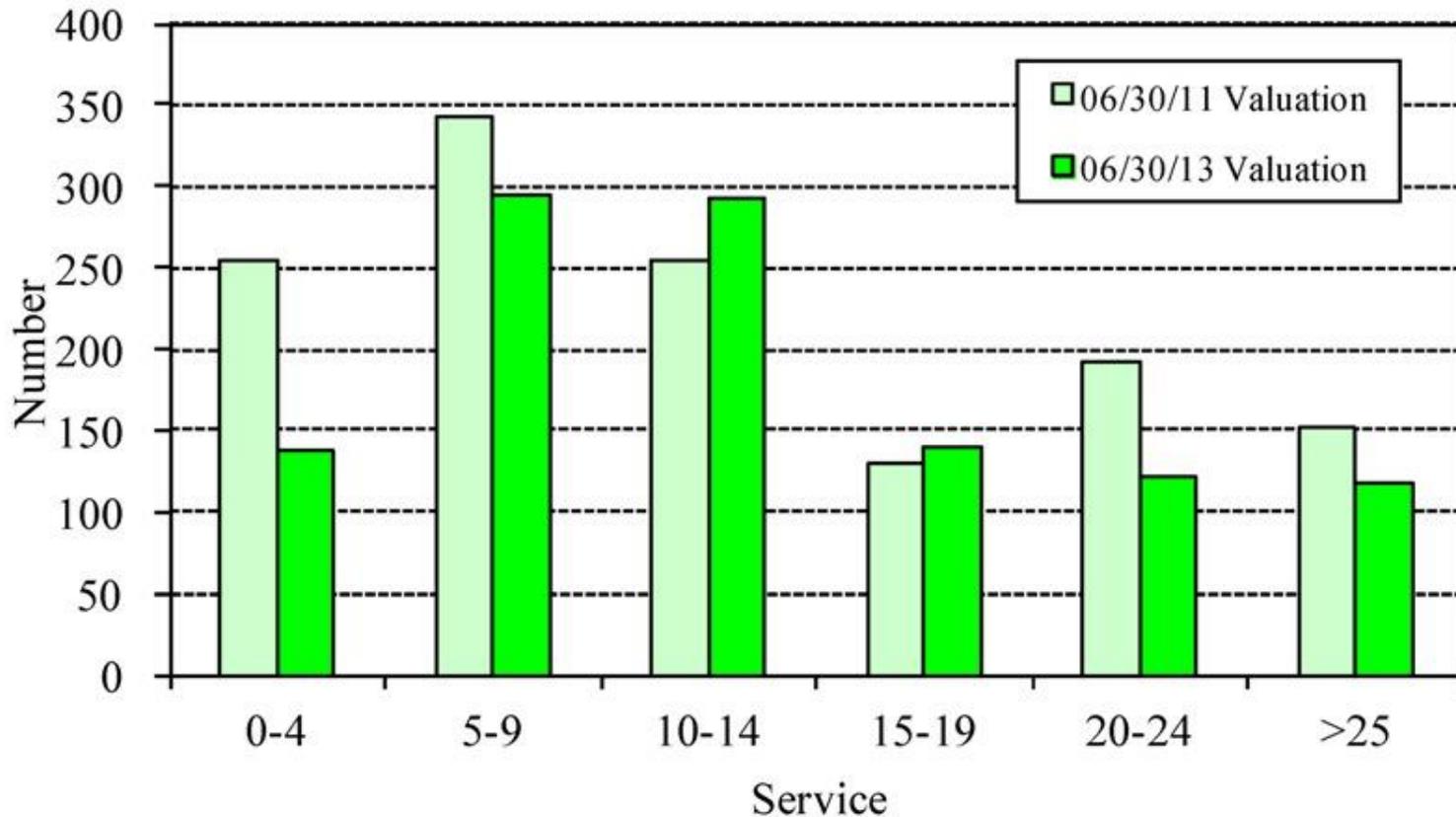
## EXHIBIT – DATA SUMMARY

### Active Age Distribution Miscellaneous



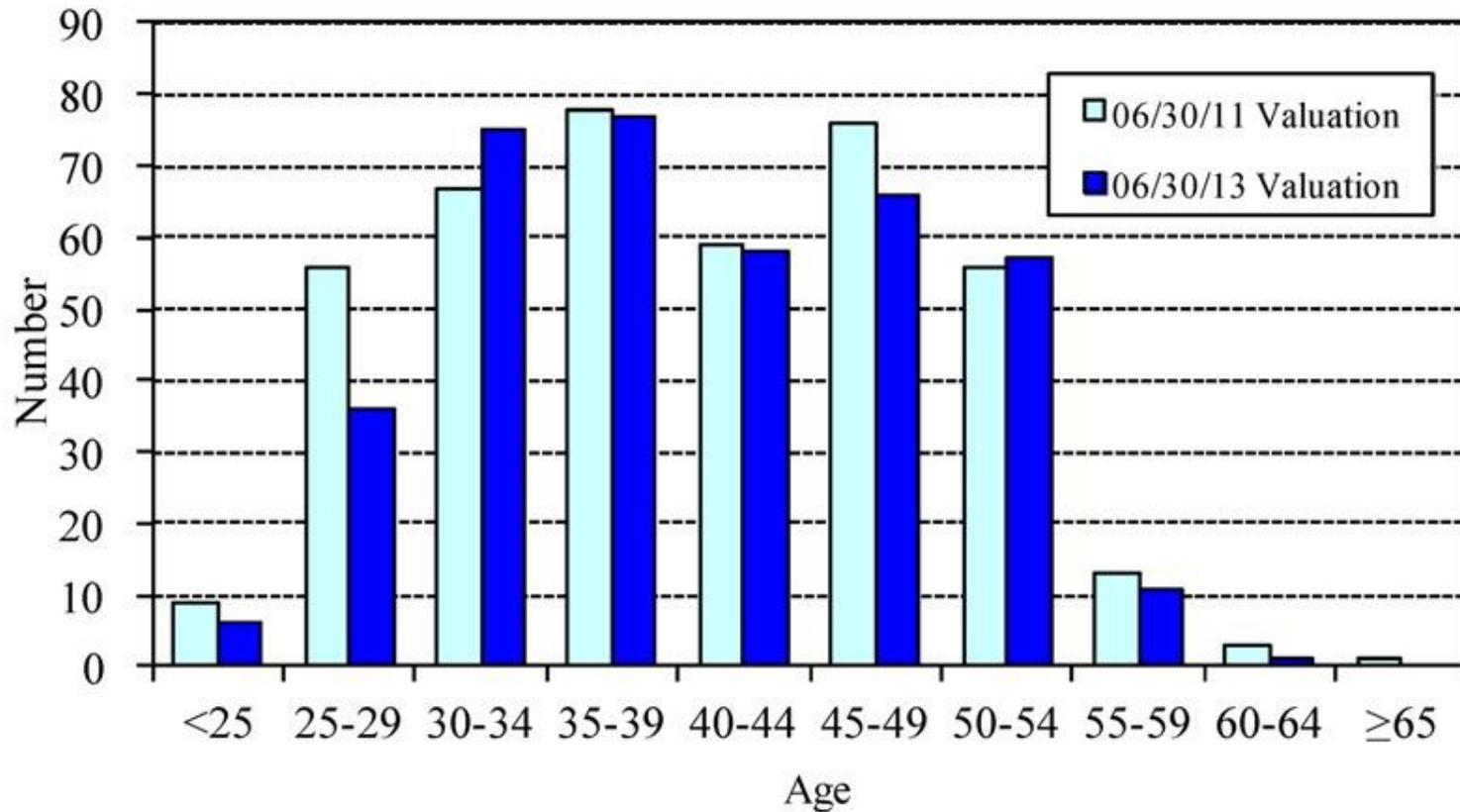
# EXHIBIT – DATA SUMMARY

## Active Service Distribution Miscellaneous



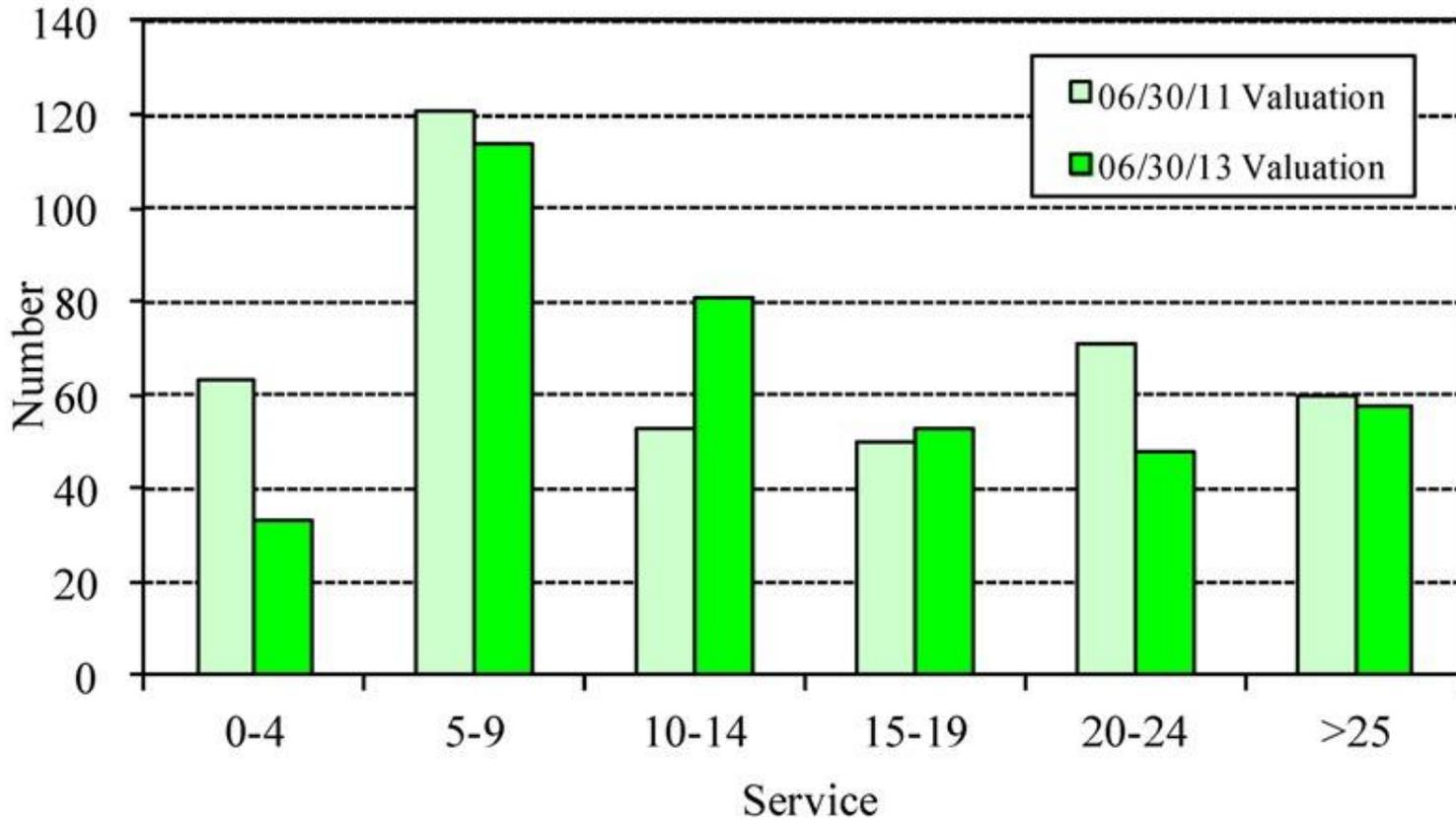
# EXHIBIT – DATA SUMMARY

## Active Age Distribution Safety



# EXHIBIT – DATA SUMMARY

## Active Service Distribution Safety



## EXHIBIT – DATA SUMMARY

### Retiree Medical Coverage by Age Group Miscellaneous

Age	Single	2-Party	Family	Total
Under 50	-	-	-	-
50-54	13	6	3	22
55-59	48	11	15	74
60-64	84	38	9	131
65-69	54	49	3	106
70-74	34	47	2	83
75-79	26	24	-	50
80-84	14	11	-	25
Over 85	36	10	-	46
Total	309	196	32	537

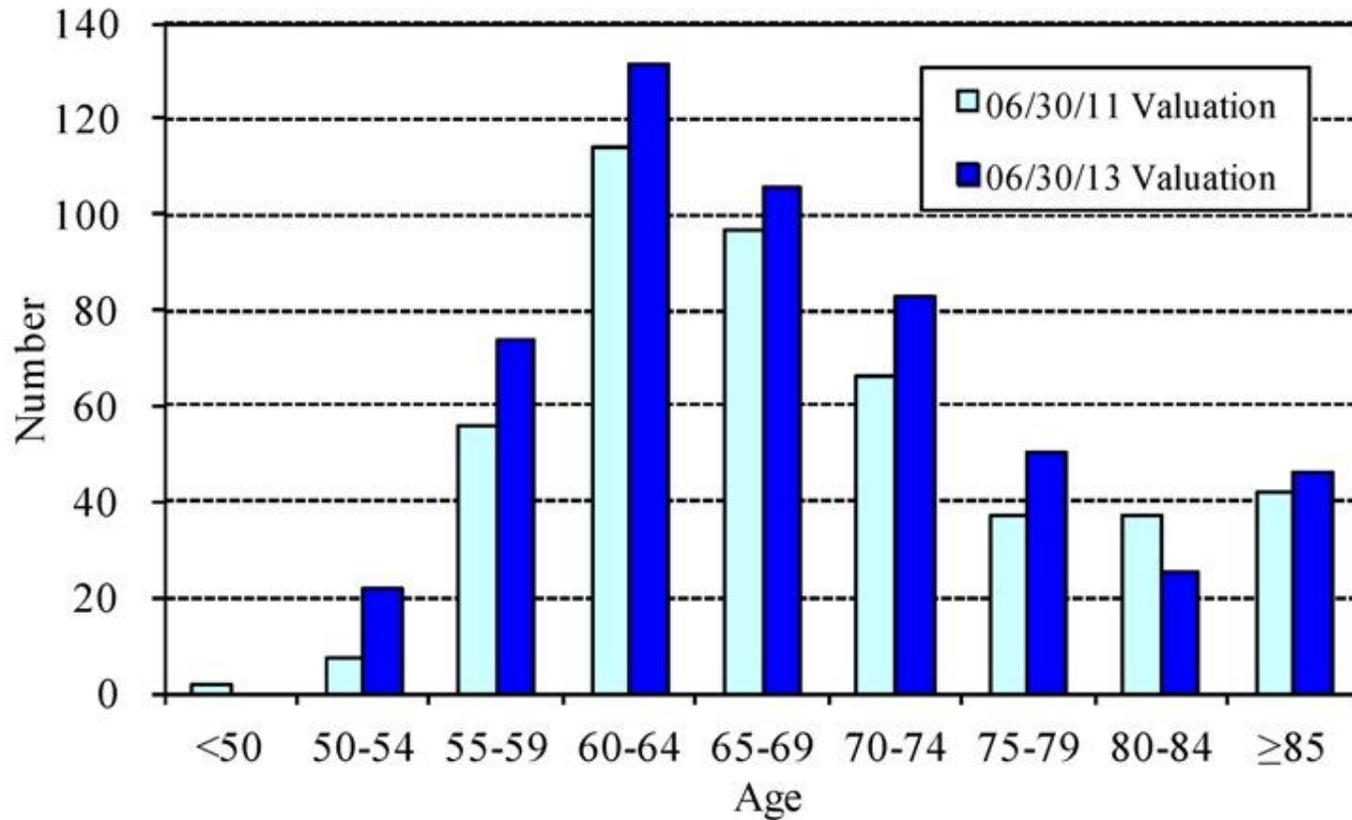
  

Average Age	68.5	69.8	60.1	68.5
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## EXHIBIT – DATA SUMMARY

### Retiree Age Distribution Miscellaneous



## EXHIBIT – DATA SUMMARY

### Retiree Medical Coverage by Age Group Safety

Age	Single	2-Party	Family	Total
Under 50	5	-	2	7
50-54	9	4	18	31
55-59	17	24	16	57
60-64	12	24	-	36
65-69	11	13	-	24
70-74	4	12	-	16
75-79	3	5	-	8
80-84	1	4	-	5
Over 85	-	-	-	-
Total	62	86	36	184

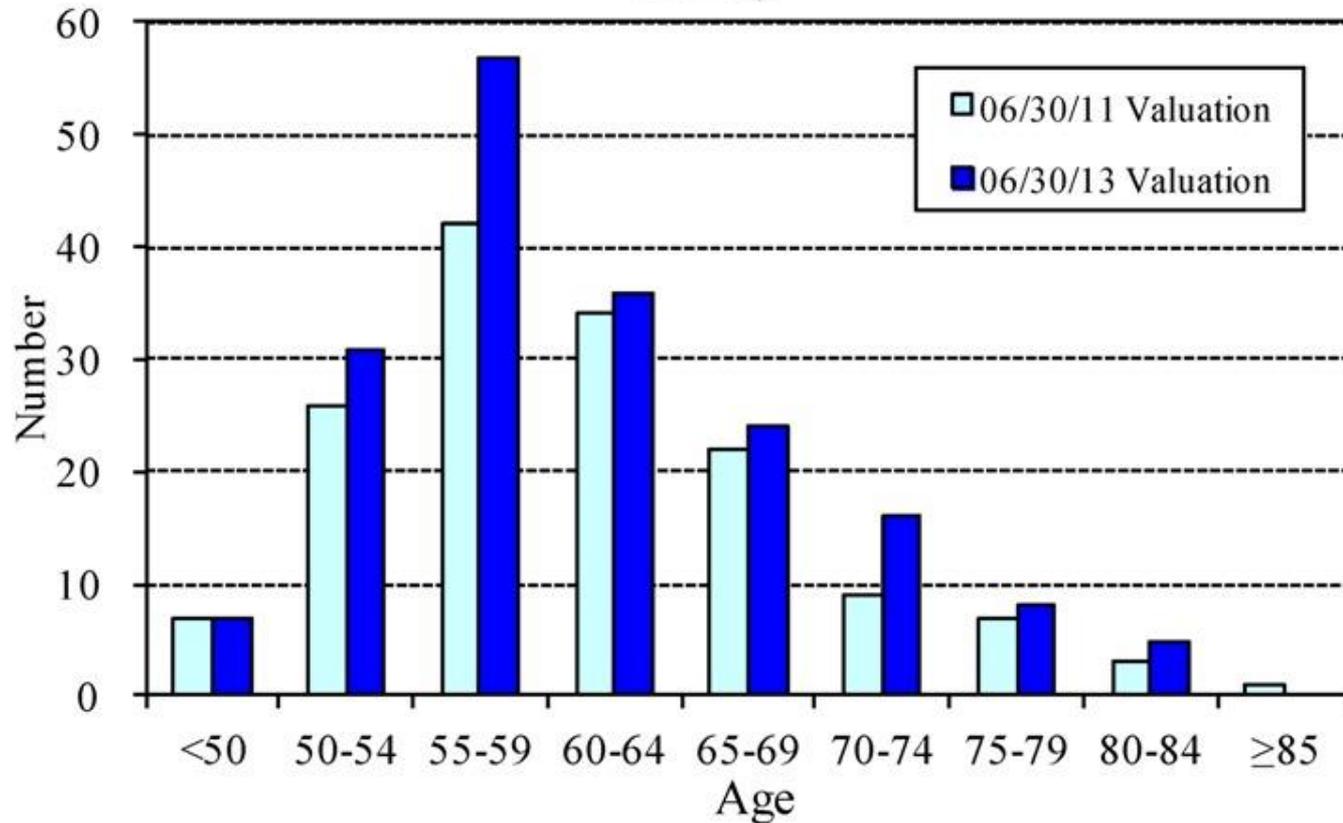
  

Average Age	60.9	64.5	54.1	61.2
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## EXHIBIT – DATA SUMMARY

### Retiree Age Distribution Safety



## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> <li>■ Valuation Date</li> </ul>	<ul style="list-style-type: none"> <li>■ June 30, 2011</li> <li>■ Fiscal Years 2011/12 &amp; 2012/13 (end of year payment)</li> <li>■ No lag period</li> </ul>	<ul style="list-style-type: none"> <li>■ June 30, 2013</li> <li>■ Fiscal Years 2013/14 &amp; 2014/15 (end of year payment)</li> <li>■ No lag period</li> </ul>
<ul style="list-style-type: none"> <li>■ Funding Policy</li> </ul>	<ul style="list-style-type: none"> <li>■ Pay-as-you-go</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>
<ul style="list-style-type: none"> <li>■ Discount Rate</li> </ul>	<ul style="list-style-type: none"> <li>■ 4.50% – Not pre-funded, assets in City investments</li> </ul>	<ul style="list-style-type: none"> <li>■ 4.00% – Not pre-funded, assets in City investments</li> </ul>
<ul style="list-style-type: none"> <li>■ General Inflation</li> </ul>	<ul style="list-style-type: none"> <li>■ 3.00%</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>
<ul style="list-style-type: none"> <li>■ Payroll Increase</li> </ul>	<ul style="list-style-type: none"> <li>■ Aggregate Increases – 3.25%</li> <li>■ Merit Increases – CalPERS 1997-2007 Experience Study</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>
<ul style="list-style-type: none"> <li>■ Future Sick Leave Accumulation</li> </ul>	<ul style="list-style-type: none"> <li>■ GFFA – 144 hours/year</li> <li>■ Others – 96 hours/year</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>



## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation
<b>■ Future Sick Leave Usage</b>	<b>■ Based on current experience</b>  <div style="display: flex; justify-content: space-around; text-align: center;"> <div><u>GCEA/</u></div> </div> <div style="display: flex; justify-content: space-around; text-align: center;"> <div><u>GMA</u></div> <div><u>IBEW</u></div> <div><u>GFFA</u></div> <div><u>GPOA</u></div> </div> <div style="display: flex; justify-content: space-around; text-align: center;"> <div>55%</div> <div>70%</div> <div>75%</div> <div>45%</div> </div>	<b>■ Same<sup>39</sup></b>
<b>■ Sick Leave Hourly Conversion Inflation</b>	<b>■ 0.0% per year</b> <b>■ 5.0% every 3 years for sensitivity</b>	<b>■ Same</b>
<b>■ Compensation Time</b>	<b>■ Not valued</b>	<b>■ Same</b>
<b>■ Vacation Time</b>	<b>■ Not valued</b>	<b>■ Same</b>

<sup>39</sup> Current experience reviewed.



## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation
<b>■ Medical Trend</b>	<u>Increase from Prior Year</u> <u>Non-Medicare</u> <u>Medicare</u>	<u>Increase from Prior Year</u> <u>Non-Medicare</u> <u>Medicare</u>
	<u>Year</u>	<u>Year</u>
	2011	2011
	2012	2012
	2013	2013
	2014	2014
	2015	2015
	2016	2016
	2017	2017
	2018	2018
	2019	2019
	2020	2020
2021+	2021+	
	Premiums Premiums 9.0%      9.4% 8.5%      8.9% 8.0%      8.3% 7.5%      7.8% 7.0%      7.2% 6.5%      6.7% 6.0%      6.1% 5.5%      5.6% 5.0%      5.0%	n/a n/a Premiums 8.5%      8.9% 8.0%      8.3% 7.5%      7.8% 7.0%      7.2% 6.5%      6.7% 6.0%      6.1% 5.5%      5.6% 5.0%      5.0%
<b>■ Mortality, Withdrawal, Disability</b>	<b>■ CalPERS 1997-2007 Experience Study</b> <b>■ Post-retirement mortality projected fully generational with Scale AA from 2010</b>	<b>■ Same</b>



## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation																																																														
<b>■ Service Retirement<sup>40</sup></b>	<b>■ CalPERS 1997-2007 Experience Study</b> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>DOH</u></th> <th style="text-align: center;"><u>Benefit</u></th> <th style="text-align: center;"><u>Exp. Ret Age</u></th> </tr> </thead> <tbody> <tr> <td rowspan="2">Misc</td> <td>≤ 1/1/11</td> <td>2.5%@55</td> <td>57.7</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>2%@55</td> <td>58.7</td> </tr> <tr> <td rowspan="2">Police</td> <td>≤ 1/1/12</td> <td>3%@50</td> <td>53.6</td> </tr> <tr> <td>&gt; 1/1/12</td> <td>3%@55</td> <td>55.2</td> </tr> <tr> <td rowspan="2">Fire</td> <td>≤ 1/1/11</td> <td>3%@50</td> <td>54.6</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>3%@55</td> <td>56.3</td> </tr> </tbody> </table>		<u>DOH</u>	<u>Benefit</u>	<u>Exp. Ret Age</u>	Misc	≤ 1/1/11	2.5%@55	57.7	> 1/1/11	2%@55	58.7	Police	≤ 1/1/12	3%@50	53.6	> 1/1/12	3%@55	55.2	Fire	≤ 1/1/11	3%@50	54.6	> 1/1/11	3%@55	56.3	<b>■ Classic CalPERS members – CalPERS 1997-2007 Experience Study</b> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>DOH</u></th> <th style="text-align: center;"><u>Benefit</u></th> <th style="text-align: center;"><u>Exp. Ret Age</u></th> </tr> </thead> <tbody> <tr> <td rowspan="2">Misc</td> <td>≤ 1/1/11</td> <td>2.5%@55</td> <td>58.8</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>2%@55</td> <td>59.8</td> </tr> <tr> <td rowspan="2">Police</td> <td>≤ 1/1/12</td> <td>3%@50</td> <td>53.5</td> </tr> <tr> <td>&gt; 1/1/12</td> <td>3%@55</td> <td>55.0</td> </tr> <tr> <td rowspan="2">Fire</td> <td>≤ 1/1/11</td> <td>3%@50</td> <td>54.7</td> </tr> <tr> <td>&gt; 1/1/11</td> <td>3%@55</td> <td>n/a</td> </tr> </tbody> </table> <b>■ New CalPERS members – Assumptions used in CalPERS AB 340 Actuarial Cost Analysis</b> <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Benefit</u></th> <th style="text-align: center;"><u>Exp. Ret Age</u></th> </tr> </thead> <tbody> <tr> <td>Misc</td> <td>2%@62</td> <td>61.4</td> </tr> <tr> <td>Police</td> <td>2.7%@57</td> <td>56.5</td> </tr> <tr> <td>Fire</td> <td>2.7%@57</td> <td>n/a</td> </tr> </tbody> </table>		<u>DOH</u>	<u>Benefit</u>	<u>Exp. Ret Age</u>	Misc	≤ 1/1/11	2.5%@55	58.8	> 1/1/11	2%@55	59.8	Police	≤ 1/1/12	3%@50	53.5	> 1/1/12	3%@55	55.0	Fire	≤ 1/1/11	3%@50	54.7	> 1/1/11	3%@55	n/a		<u>Benefit</u>	<u>Exp. Ret Age</u>	Misc	2%@62	61.4	Police	2.7%@57	56.5	Fire	2.7%@57	n/a
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<sup>40</sup> Expected retirement age based on current demographic.



## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> <li>■ CalPERS Service</li> </ul>	<ul style="list-style-type: none"> <li>■ City service plus ½ service between age 30 and City hire date</li> </ul>	<ul style="list-style-type: none"> <li>■ Classic CalPERS members – City service plus ½ service between age 30 and City hire date</li> <li>■ New CalPERS members – City service</li> </ul>
<ul style="list-style-type: none"> <li>■ Active Employee Participation at Retirement – Sick Leave</li> </ul>	<ul style="list-style-type: none"> <li>■ 100%</li> </ul>	<ul style="list-style-type: none"> <li>■ 90% converts all sick leave hours to RHSP</li> <li>■ 10% converts sick leave hours to both CalPERS service credit and RHSP                             <ul style="list-style-type: none"> <li>• CalPERS service credit – 75%</li> <li>• RHSP – 25%</li> </ul> </li> </ul>

## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation			
<b>■ Active Employee Participation at Retirement – Medical Plan</b>	<b>■ 95%</b>	<u>SL Hrs</u>	<u>%</u>	<u>SL Hrs</u>	<u>%</u>
		0-299	64%	700-899	83%
		300-399	68%	800-899	87%
		400-499	72%	900-999	91%
		500-599	76%	1000+	95%
		600-699	79%		
<b>■ Medicare Eligibility</b>	<b>■ 100%</b> <b>■ Everyone eligible for Medicare will elect Part B coverage</b>	<b>■ Same</b>			

## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation																																	
<b>■ Medical Plan at Retirement</b>	<b>■ Based on current experience</b> <b>■ Actives:</b>	<b>■ Based on current experience</b> <b>■ Actives:</b>																																	
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<b>■ Retirees:</b> <ul style="list-style-type: none"> <li>• Currently &lt; 65                             <ul style="list-style-type: none"> <li>➢ Pre-65 – Same as current elections</li> <li>➢ Post-65 – Post-65 assumption for Actives</li> </ul> </li> <li>• Currently ≥ 65 – Same as current elections</li> </ul>	<b>■ Retirees:</b> <ul style="list-style-type: none"> <li>• Currently &lt; 65                             <ul style="list-style-type: none"> <li>➢ Pre-65 – Same as current elections</li> <li>➢ Post-65 – Post-65 assumption for Actives</li> </ul> </li> <li>• Currently ≥ 65 – Same as current elections</li> </ul>																																		



## EXHIBIT – ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2011 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> <li>■ Spouse Coverage at Retirement</li> </ul>	<ul style="list-style-type: none"> <li>■ Currently covered – Same as current spouse coverage</li> <li>■ Currently waived – 80% covered</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>
<ul style="list-style-type: none"> <li>■ Spouse Age</li> </ul>	<ul style="list-style-type: none"> <li>■ Actives – Males 3 years older than females</li> <li>■ Retirees – Males 3 years older than females if spouse birth date not available</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>
<ul style="list-style-type: none"> <li>■ Surviving Spouse Participation</li> </ul>	<ul style="list-style-type: none"> <li>■ 100%</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>
<ul style="list-style-type: none"> <li>■ Family Coverage at Retirement</li> </ul>	<ul style="list-style-type: none"> <li>■ Actives:                             <ul style="list-style-type: none"> <li>• Misc – 5% until 65</li> <li>• Safety – 15% until 65</li> </ul> </li> <li>■ Retirees – Same as current family coverage until 65</li> </ul>	<ul style="list-style-type: none"> <li>■ Same</li> </ul>



## EXHIBIT – ACTUARIAL METHODS

Method	June 30, 2011 Valuation	June 30, 2013 Valuation
■ Cost Method	<ul style="list-style-type: none"> <li>■ GASB 16 – Projected Unit Credit</li> <li>■ GASB 45 – Entry Age Normal</li> </ul>	■ Same
■ Plan Assets	<ul style="list-style-type: none"> <li>■ GASB 16 – City reserve</li> <li>■ GASB 45 – None</li> </ul>	■ Same
■ Amortization Method	■ Level percent of payroll	■ Same

## EXHIBIT – ACTUARIAL METHODS

Method	June 30, 2011 Valuation	June 30, 2013 Valuation
<p>■ Amortization Period</p>	<p>■ GASB 16 – 30-year fixed (closed) period</p> <p>■ GASB 45:</p> <ul style="list-style-type: none"> <li>• 6/30/09 UAAL – 30-year fixed (closed) period (28 years remaining for 2011/12 ARC)</li> <li>• Assumption Changes and Gains/Losses – 15-year fixed (closed) period</li> <li>• Maximum 30-year combined period</li> </ul>	<p>■ GASB 16 – 30-year fixed (closed) period</p> <p>■ GASB 45:</p> <ul style="list-style-type: none"> <li>• 6/30/09 UAAL – 30-year fixed (closed) period (26 years remaining for 2013/14 ARC)</li> <li>• Assumption Changes and Gains/Losses – 15-year fixed (closed) period</li> <li>• Maximum 30-year combined period</li> </ul>

## EXHIBIT – ACTUARIAL METHODS

Method	June 30, 2011 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> <li>■ "Implied Subsidy"</li> </ul>	<ul style="list-style-type: none"> <li>■ Employer cost for allowing retirees to participate at rates less than actual cost</li> <li>■ GASB 45 defers to actuarial standards of practice.</li> <li>■ Actuarial Standards of Practice No. 6<sup>41</sup> (ASOP 6) allows community rated plans to value their liability using premiums, resulting in no implied subsidy.</li> <li>■ Q&amp;A requires an implied subsidy valued</li> </ul>	
<ul style="list-style-type: none"> <li>■ Future New Entrants</li> </ul>	<ul style="list-style-type: none"> <li>■ Valuation Results – Closed group, no new hires</li> <li>■ Projections – Simplified open group projection:                             <ul style="list-style-type: none"> <li>• Actives – Total pay increased in accordance with aggregate payroll assumption</li> <li>• Retirees – No additional retirees from new hires over 10-year projection period</li> </ul> </li> </ul>	

<sup>41</sup> Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions.



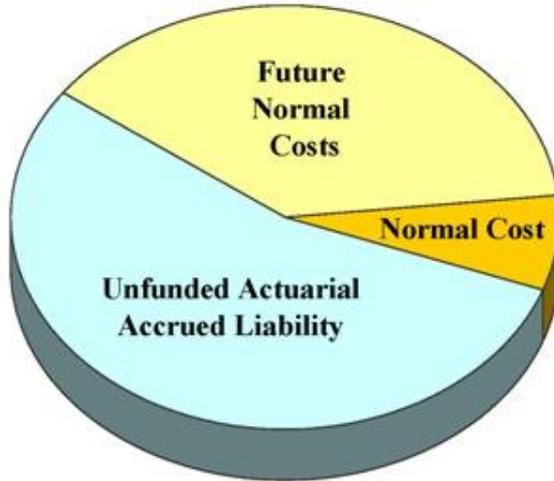
## EXHIBIT – DEFINITIONS

<ul style="list-style-type: none"><li>■ GASB 45 Accrual Accounting</li></ul>	<ul style="list-style-type: none"><li>■ Project future employer-provided benefit cash flows for current active employees and current retirees</li><li>■ Discount projected cash flow to valuation date using discount rate (assumed return on assets used to pay benefits) and other actuarial assumptions to determine present value of projected future benefits (PVB)</li><li>■ Allocate PVB to past, current, and future periods using the actuarial cost method</li><li>■ Actuarial cost method used for this valuation is the Entry Age Normal Cost method which determines Normal Cost as a level percentage of payroll (same method used by CalPERS)</li><li>■ Normal Cost is amount allocated to current fiscal year</li><li>■ Actuarial Accrued Liability (AAL) is amount allocated to prior service with employer</li><li>■ Unfunded AAL (UAAL) is AAL less plan assets pre-funded in a segregated and restricted trust</li></ul>
<ul style="list-style-type: none"><li>■ PayGo Cost</li></ul>	<ul style="list-style-type: none"><li>■ Cash subsidy is the pay-as-you-go employer benefit payments for retirees</li><li>■ Implied subsidy is the difference between the actual cost of retiree benefits and retiree premiums subsidized by active employee premiums</li></ul>

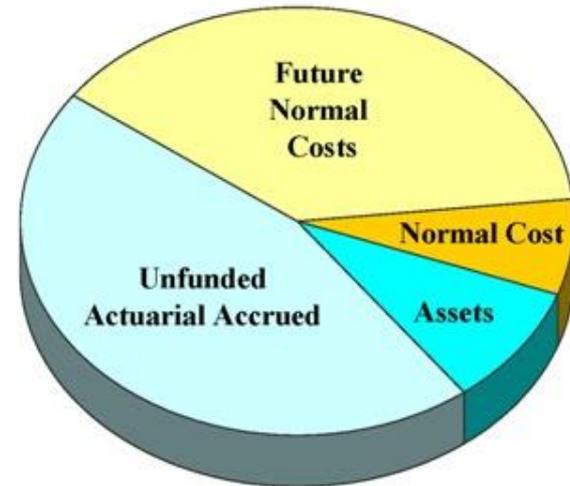
# EXHIBIT – DEFINITIONS

## Present Value of Benefits

**Present Value of Benefits  
(Without Plan Assets)**



**Present Value of Benefits  
(With Plan Assets)**



## EXHIBIT – DEFINITIONS

<p>■ Annual Required Contribution (ARC)</p>	<p>■ “Required contribution” for the current period including:</p> <ul style="list-style-type: none"> <li>• Normal Cost</li> <li>• Amortization of:             <ul style="list-style-type: none"> <li>➤ Initial UAAL</li> <li>➤ AAL for plan, assumption, and method changes</li> <li>➤ Experience gains/losses (difference between expected and actual)</li> <li>➤ Contribution gains/losses (difference between ARC and contributions)</li> </ul> </li> </ul> <p>■ ARC in excess of pay-as-you-go costs not required to be funded</p>
<p>■ Net OPEB Obligation (NOO)</p>	<p>■ Net OPEB Obligation is the accumulated amounts expensed but not funded</p> <p>■ Net OPEB Asset if amounts funded exceed those expensed</p>
<p>■ Annual OPEB Cost (AOC)</p>	<p>■ Expense for the current period including:</p> <ul style="list-style-type: none"> <li>• ARC</li> <li>• Interest on NOO</li> <li>• Adjustment of NOO</li> </ul> <p>■ NOO adjustment prevents double counting of expense since ARCs include an amortization of prior contribution gains/losses previously expensed</p>