



November 14, 2013

Mr. Geoffrey S. Kiehl
Director of Finance and Treasurer
City of Palm Springs
3200 E Tahquitz Canyon Way
Palm Springs, CA 92263-2743

Re: June 30, 2013 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Geoffrey:

We are pleased to enclose our report providing the results of the June 30, 2013 actuarial valuation of other post-employment benefit (OPEB) liabilities for the City of Palm Springs (the City). The report's text describes our analysis and assumptions in detail.

The primary purposes of the report are to develop:

- The value of future OPEB expected to be provided by the City, and
- The current OPEB liability and the annual OPEB expense to be reported in the City's financial statements for the fiscal years ending June 30, 2013 and 2014.

The majority of the exhibits included in this report reflect our understanding that the City intends to continue funding its OPEB liability on a pay-as-you-go basis. Other approaches are possible and these are discussed briefly in the report. We have included an illustration of valuation results calculated on a prefunding basis as an Appendix to this report, should the City wish to consider a prefunding approach in the future.

We have based our valuation on employee data and plan information provided by the City. We encourage you to review our summary of the benefits described in Table 3A to be comfortable that we have captured these provisions 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,

A handwritten signature in black ink that reads "Catherine L. MacLeod".

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

Enclosure



City of Palm Springs

Actuarial Valuation of the Other
Post-Employment Benefit Programs
As of June 30, 2013

Submitted November 2013



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A. Executive Summary

This report presents the results of the June 30, 2013 actuarial valuation of the City of Palm Springs (the City) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical 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).

How much the City contributes each year affects the calculation of liabilities. Prefunding is the term used to describe when an agency consistently contributes an amount at least equal to the annual required contribution (ARC) each year. Contributing only the current year's retiree payments is referred to as pay-as-you-go funding. There are other options relating to the funding policy, including shorter amortization periods and partial pre-funding. These other options would require additional calculations not provided in this report, though we would be happy to provide illustrations at the City's request.

Prefunding the plan supports use of a higher discount rate and often produces substantially lower liabilities than a pay-as-you-go funding policy, which requires a lower discount rate. This valuation uses discount rates of 7.0% and 4.0% for prefunding and pay-as-you-go calculations, respectively. Neither rate is a guarantee of future investment performance, but rather an assumption about the long term rate of return. We have selected these rates for illustrative purposes, though the ultimate decision for these rates lies with the City.

Exhibits presented in this report are based on the assumption that the results of the June 30, 2013 valuation will be applied in determining the annual OPEB expense for the fiscal years ending June 30, 2013 and 2014.

In its financial report for the period ending June 30, 2012, the City reported a net OPEB obligation of \$20,249,594. The City confirmed it has not yet established an irrevocable OPEB trust and is unlikely to do so in the immediate future. In other words, OPEB funding is expected to continue on a pay-as-you-go basis for the years to which this report will likely be applied.

Accordingly, we calculate the GASB 45 actuarial accrued liability (AAL) on an unfunded basis to be \$106,506,259 as of June 30, 2013. With no trust assets to offset these liabilities, the unfunded accrued liability as of this date is also \$106,506,259.

The following summarizes results for the fiscal year ending June 30, 2013:

- We calculate the annual required contribution (ARC) to be \$6,919,257.
- The City reported contributions totaling \$1,976,604 for the fiscal year ending June 30, 2013, equal to the premium payments for retirees.
- Based on the calculations and contributions as described above, we calculate a net OPEB obligation of \$24,715,030 as of June 30, 2013.

These results are shown in tables beginning on page 11. Projected results for the fiscal year ending June 30, 2014 are also shown in these tables.

Executive Summary (Concluded)

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.

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages. The date of the next actuarial valuation should not be later than June 30, 2015. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

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, 2009.

For agencies with 200 or more members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every two years. 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, 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).

GASB 45 provides for recognition of payments as contributions if they are made (a) directly to retirees or beneficiaries, (b) to an insurer, e.g., for the payment of premiums, or (c) to an OPEB fund set aside toward the cost of future benefits. Funds set aside for future benefits should be considered contributions to an OPEB plan only if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions generally require the establishment of a legal trust. Earmarked assets or reserves may be an important step in financing future benefits, but they may not be recognized as an asset for purposes of reporting under GASB 45.

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

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 leave¹ or COBRA benefits, which fall under other GASB accounting statements.

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. Current GASB guidance may allow an agency whose membership is a small portion (in the neighborhood of 1%) of the total coverage of a multiple employer plan to 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 coverage to its retiring employees. For retirees and their dependent(s) who have chosen to retain this coverage:

- The City contributes directly to the cost of medical coverage for retirees meeting specific requirements. These benefits are described in Table 3A and liabilities have been included in this valuation.
- Some employees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated (“OPEB Assumption Model”, April, 2010) and the City’s membership in this program is incidental relative to the total number of members covered. As currently permitted by GASB 45, this report does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.

¹ When a terminating employee’s unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

Sources of OPEB Liabilities (Concluded)

- Some employees are covered by Cigna healthcare plans. It is our understanding that the Cigna Surround Plan is a community-rated plan which covers Medicare-eligible retirees only; accordingly, we have not calculated an implicit subsidy liability for retirees covered under this plan. For the Cigna HMO and PPO plans, we understand that recent cost increases have been allocated as an equal percentage increase in the premium rates for pre-Medicare retirees and active employees; however the premiums for pre-Medicare retirees prior to 2012 were developed based on their own claims experience. Thus, we believe there is no implicit subsidy of retiree premiums by active employee premiums, or that it is insignificant.
- All other employees are covered by plans in which the claims experience of active and retired members is co-mingled in setting premium rates. We believe an implicit subsidy of medical claims exists for retirees covered by these plans and have included the liabilities for this subsidy in this valuation.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in August 2013 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 continue in service with the City, assumptions are made regarding the probability of retirement at various ages.
- After adjustments for the probabilities of whether and when an employee may retire from the City, we then apply an assumption about whether or not the retiree will elect coverage for themselves and/or dependents.
- To the extent an employee is assumed to qualify and elect coverage in retirement, the calculated liability reflects expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefit 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 75 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' Costs
<i>plus</i> Normal Cost	Current Year's Cost
<u><i>plus</i> Present Value of Future Normal Costs</u>	<u>Future Years' Costs</u>
<i>equals</i> 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. It is our understanding that the City's plans have not yet been funded and no assets have been set aside in an irrevocable trust as of the valuation date. 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 June 30, 2013 valuation of OPEB liabilities (Column 2) to the results of the June 30, 2011 valuation (Column 1).

Valuation date	Pay-As-You-Go Basis			Pay-As-You-Go Basis		
	6/30/2011			6/30/2013		
	Explicit	Implicit	Total	Explicit	Implicit	Total
Subsidy						
Discount rate	4.50%	4.50%	4.50%	4.00%	4.00%	4.00%
Number of Covered Employees						
Actives	317	288	378	261	133	379
Retirees	135	99	146	158	74	166
Total Participants	452	387	524	419	207	545
Actuarial Present Value of Projected Benefits						
Actives	62,678,371	15,636,709	\$ 78,315,080	62,145,031	14,595,623	\$ 76,740,654
Retirees	38,753,080	12,215,807	50,968,887	42,750,536	15,189,736	57,940,272
Total APVPB	101,431,451	27,852,516	129,283,967	104,895,567	29,785,359	134,680,926
Actuarial Accrued Liability (AAL)						
Actives	39,279,212	9,341,951	48,621,163	39,888,347	8,677,640	48,565,987
Retirees	38,753,080	12,215,807	50,968,887	42,750,536	15,189,736	57,940,272
Total AAL	78,032,292	21,557,758	99,590,050	82,638,883	23,867,376	106,506,259
Actuarial Value of Assets	-	-	-	-	-	-
Unfunded AAL (UAAL)	78,032,292	21,557,758	99,590,050	82,638,883	23,867,376	106,506,259
Normal Cost	1,999,998	532,441	2,532,439	1,950,283	491,293	2,441,576
Benefit Payments						
Actives (in retirement)	-	-	-	-	-	-
Retirees	1,476,267	353,185	1,829,452	1,976,604	401,825	2,378,429
Total	1,476,267	353,185	1,829,452	1,976,604	401,825	2,378,429

Basic Valuation Results (Concluded)

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 0.0% as of June 30, 2013. Covered payroll as of June 30, 2013 was reported to be \$34,035,753. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 312.9% as of this date.

Changes Since the Prior Valuation

Even if all of our previous assumptions were met exactly as projected, liabilities generally increase over time as active employees get closer to the date their benefits are expected to begin. Of course, due to the uncertainties involved and the long term nature of these projections, our prior assumptions were not and are likely never to be exactly realized. Nonetheless, it is helpful to review why results are different than we anticipated.

In comparing results shown in the exhibit above, we can see that the *actual* increase in the AAL over the two year period between June 30, 2011 and June 30, 2013 was approximately \$6,916,000. We *expected* the AAL to increase by \$10,712,000 from new costs accrued and the passage of time, offset by benefits expected to be paid to retirees. The actual AAL is \$3,796,000 lower than expected, primarily the combined result of the following factors:

- Increases in the AAL due to a change in discount rates used to develop the OPEB liability, from 4.5% to 4.0%, projection of future improvements in mortality (i.e., longer life expectancies) and modest changes in assumed future increases in medical premium levels between 2013 and 2022; *offset by*
- A modest decrease in the AAL from eliminating an implicit subsidy liability for retirees covered by the CIGNA medical plans (see Section C., page 5), and other favorable plan experience relative to what was projected from the prior valuation.

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. The funding levels can generally be categorized as follows:

1. *Prefunding* – contributing an amount greater than or equal to the ARC each year. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, such as 7.0% used here, 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.
2. *Pay-As-You-Go funding* – contributing only the amounts needed to pay retiree benefits in the current year; generally requires a lower discount rate, such as the 4.0% rate illustrated in this report.
3. *Partial prefunding* – contributing more than the current year's retiree payments but less than 100% of the ARC; requires that liabilities be developed using a discount rate that "blends" the relative portions of benefits that are prefunded and those which are not.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components:

- 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 each of the fiscal years ending June 30, 2013 and 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.
- 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 pay-as-you-go policy includes amortization of the unfunded AAL over a closed 30-year period initially effective for the fiscal year ending June 30, 2009; the remaining period applicable in determining the ARC for the fiscal year ending June 30, 2013 is 26 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. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuation of the retirement plan covering City employees. Several of these assumptions were updated since the last valuation was prepared. 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. The City approved calculation of liabilities on a pay-as-you-go basis using a 4.0% discount rate. Since no OPEB trust has yet been established, for illustrative purposes, we have used a 7.0% discount rate in developing results on a funded basis. The actual discount rate, should the City decide to establish an irrevocable OPEB trust, will depend on the particular investments and asset allocation strategy selected.

H. Certification

This report presents the results of our actuarial valuation of the other post employment benefits provided by the City of Palm Springs. 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.

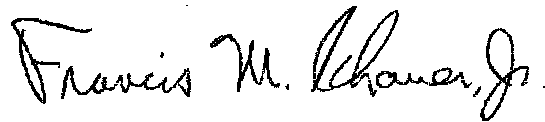
We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the City. We believe the assumptions and method used are reasonable and appropriate 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.

Signed: November 14, 2013



Catherine L. MacLeod, FSA, EA, MAAA



Francis M. Schauer Jr., FSA, FCA, EA, MAAA

Table 1A
Summary of Valuation Results
Pay-As-You-Go Basis

The following summarizes the results of our valuation of OPEB liabilities for the City calculated under GASB 45 for the fiscal year ending June 30, 2013 as well as projected amounts for the fiscal year ending June 30, 2014.

Valuation date	Pay-As-You-Go Basis	
	6/30/2013	
For fiscal year beginning	7/1/2012	7/1/2013
For fiscal year ending	6/30/2013	6/30/2014
Discount rate	4.00%	4.00%
Number of Covered Employees*		
Actives	379	379
Retirees	166	166
Total Participants	545	545
Actuarial Present Value of Projected Benefits		
Actives	\$ 76,740,654	\$ 79,810,280
Retirees	57,940,272	57,879,454
Total APVPB	134,680,926	137,689,734
Actuarial Accrued Liability (AAL)		
Actives	48,565,987	53,047,866
Retirees	57,940,272	57,879,454
Total AAL	106,506,259	110,927,319
Actuarial Value of Assets	-	-
Unfunded AAL (UAAL)	106,506,259	110,927,319
Normal Cost	2,441,576	2,520,927
Benefit Payments		
Actives (in retirement)	-	158,697
Retirees	2,378,429	2,394,802
Total	2,378,429	2,553,499

* The numbers of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in the following year. Because this valuation has been prepared on a closed group basis, no potential future employees are included and, based on assumptions outlined in Table 4, we recognize the possibility that active employees may leave employment, some may retire and elect benefits and coverage for some of the retired employees may cease.

Table 1B
Calculation of the Annual Required Contribution
Pay-As-You-Go Basis

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a pay-as-you-go basis for the fiscal years ending June 30, 2013 and June 30, 2014.

Fiscal Year End	Pay-As-You-Go Basis	
	6/30/2013	6/30/2014
Funding Policy		
Discount rate	4.00%	4.00%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	26	25
Determination of Amortization Payment		
UAAL	\$ 106,506,259	\$ 110,927,319
Factor	23.7860	22.9515
Payment	4,477,681	4,833,108
Annual Required Contribution (ARC)		
Normal Cost	2,441,576	2,520,927
Amortization of UAAL	4,477,681	4,833,108
Interest to 06/30	-	-
Total ARC at fiscal year end	6,919,257	7,354,035

While the following is not intended to be used to determine the normal cost or ARC in future years, this information may be of value for planning purposes:

Valuation date	6/30/2013	
Fiscal Year End	6/30/2013	6/30/2014
Projected covered payroll	\$ 34,035,753	\$ 35,141,915
Normal Cost as a percent of payroll	7.2%	7.2%
ARC as a percent of payroll	20.3%	20.9%
ARC per active ee	18,257	19,404

Table 1C
Expected OPEB Disclosures
Pay-As-You-Go Basis

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the fiscal years ending June 30, 2013 and June 30, 2014. The calculations assume the City continues to follow the pay-as-you-go funding approach outlined on the prior page.

Fiscal Year End	Pay-As-You-Go Basis	
	6/30/2013	6/30/2014
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	\$ 6,919,257	\$ 7,354,035
b. Interest on Net OPEB Obligation (Asset) at beginning of year	809,984	988,601
c. Adjustment to the ARC	(885,376)	(1,119,908)
d. Annual OPEB Expense (a. + b. + c.)	6,843,865	7,222,728
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	2,378,429	2,553,499
b. Estimated contribution to OPEB trust	-	-
c. Total Expected Employer Contribution	2,378,429	2,553,499
3. Change in Net OPEB Obligation (1.d. minus 2.c.)	4,465,436	4,669,229
Net OPEB Obligation (Asset), beginning of fiscal year	20,249,594	24,715,030
Net OPEB Obligation (Asset) at fiscal year end	24,715,030	29,384,259

Please note that the expected payments to retirees shown in item 2.a. above for the fiscal year ending June 30, 2014 shown above is a projection and should be replaced with the actual payments in order to determine the accurate end of year OPEB obligation.

Table 2
Summary of Employee Data

The City reported 379 active employees; of these, 372 are currently participating in the medical program while 7 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	5						5	1%
25 to 29	3	8	11	1			23	6%
30 to 34	2	13	36	5	1		57	15%
35 to 39	1	7	17	18	3		46	12%
40 to 44	3	5	10	17	11	3	49	13%
45 to 49	1	1	16	15	8	11	52	14%
50 to 54		4	17	13	7	21	62	16%
55 to 59	3	4	13	12	4	13	49	13%
60 to 64			4	3	4	6	17	4%
65 to 69			3	6	2	5	16	4%
70 & Up			1		1	1	3	1%
Total	18	42	128	90	41	60	379	100%
Percent	5%	11%	34%	24%	11%	16%	100%	

(Percentages adjusted to total 100%)

Annual Covered Payroll	\$34,035,753
Average Attained Age for Actives	45.6
Average Years of Service	11.7

There are also 163 retirees and 3 surviving spouses receiving benefits under this program. The following chart summarizes their ages on the valuation date.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	25	15%
55 to 59	48	29%
60 to 64	38	23%
65 to 69	32	19%
70 to 74	16	10%
75 to 79	3	2%
80 & up	4	2%
Total	166	100%
Average Attained Age for Retirees:		62.4

**Table 2 – Summary of Employee Data
(Continued)**

The chart below provides a reconciliation of employees from June 30, 2011 to June 30, 2013. We can see that the active employee group has remained quite stable, with terminating or retired employees replaced with new hires. While coverage for some retirees ended during this period, there were more new retirements and, overall, the retiree population has increased by close to 14%.

Reconciliation of City Plan Members Between Valuation Dates					
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2011	371	7	143	3	524
New employees	34	3	-	-	37
Terminated employees	(18)	0	-	-	(18)
New retiree, elected coverage	(17)	(1)	18	-	0
New retiree, waiving coverage	-	-	-	-	0
Previously covered, now waiving	-	-	-	-	0
Previously waiving, now covered	2	(2)	6	-	6
Deceased or dropped coverage	-	-	(5)	-	(5)
Data corrections	-	-	1	-	1
Number reported as of June 30, 2013	372	7	163	3	545

Employees and retirees are currently covered by the following plans:

Plan	Actives	Pre-65 Retirees	Post-65 Retirees	Total
Blue Shield PPO	133	58	16	207
BlueShieldHMO LA	2	3	1	6
BlueShieldHMO SoCal	13	3	8	24
Cigna HMO	108	12	2	122
Cigna PPO	44	16	8	68
KaiserHMO LA	3	1	0	4
KaiserHMO SoCal	13	2	0	15
PERSCarePPO SoCal	0	1	1	2
PERSCchoicePPO LA	1	2	3	6
PERSCchoicePPO SoCal	34	13	16	63
PERSSelectPPO LA	1	0	0	1
PERSSelectPPO SoCal	20	0	0	20
Waived	7	0	0	7
Total	379	111	55	545

**Table 2 – Summary of Employee Data
(Concluded)**

Some employees receive (or will receive) a substantial subsidy from the City toward their monthly retiree medical premiums, including premiums for a covered spouse or other dependents. Others (in CalPERS plans) will receive a more modest monthly payment and the remainder will be responsible for paying 100% of their medical premiums in retirement.

Benefit Level	Number of Participants			Percent of population married and covering a spouse		
	Active	Retired	Total	Active	Retired	Total
Tier 2: No Explicit Subsidy	95	13	108	55.8%	23%	55.8%
Tier 2: MEC Only	37	1	38	59.5%	100%	59.5%
Tier 1: Subsidy	247	152	399	71.3%	72.4%	71.7%
Total	379	166	545	66.2%	55.8%	67.0%

Table 3A Summary of Retiree Benefit Provisions

OPEB provided: The City reported that the only OPEB provided is medical plan coverage.

Access to coverage: Medical coverage is available for employees who satisfy the requirements for retirement under CalPERS: attainment of age 50 with 5 or more years of State or public agency service or approved disability retirement.

All employees may continue medical coverage for themselves and their eligible dependents from their retirement date until their death, provided they make timely payment of all premiums not otherwise paid by the City; a surviving spouse may also continue coverage. Employees covered by CalPERS medical plans 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. However, these employees are not required to be enrolled or immediately enroll in a medical plan at retirement; the retiree may enroll within 60 days of retirement or during any future open enrollment period.

The plans made available to City employees are determined by their employment group.

- Elected officials, management and exempt employees are covered by plans in the CalPERS medical program as provided under the requirements of the Public Employees' Medical and Hospital and Care Act (PEMHCA). Exempt employees may instead choose to participate in the Cigna HMO, the Cigna PPO, or the Blue Shield PPO plan.
- Police and fire employees are covered by the Blue Shield PPO plan.
- All other employees (General unit) may elect coverage in either the Cigna HMO or the Cigna PPO plan; retirees over age 65 are covered by the Cigna Surround plan.

Benefits Provided: The amount of the City's contribution toward the cost of medical coverage varies for each retiree based on his or her employment group, date hired and years of service with the City.

- Tier 1: Employees who (a) retired *after* the dates specified and (b) hired *prior* to the dates shown are entitled to a lifetime subsidy of their medical premiums in retirement. The amount of the subsidy paid by the City varies based on the retiree's years of service with the City.

Group	Retired After	Hired Prior To	Premium % Paid By City	For How Long?	Included Parties	Plan
Elected Officials and Exempt	7/1/1999	7/1/2007	50% after 7.5 yrs 75% after 11.5yrs 100% after 15.5 yrs	The % of premium paid by the City continues for the retiree's lifetime.	Retiree & Spouse	City
Management	7/1/1999	9/7/2005	75% after 20 years 100% after 25 years			
General	7/1/1999	12/7/2005				
Fire Management	7/1/2000	7/1/2006				
Fire Safety	1/1/1998	11/1/2006				
Police Management	7/1/1998	10/20/2005				
Police Safety	11/1/1997	10/25/2006	Retiree & All Eligible Dependents		Assoc.	

**Table 3A
(Concluded)**

- Tier 2: For retirees who were (a) hired after the dates in the chart above and (b) did not meet the service requirements, or (c) retired prior to the date those benefits were implemented:
 - If covered by the CalPERS medical program, the City will contribute the required PEMHCA Minimum Employer Contribution (MEC) for the retiree's lifetime and that of his/her surviving spouse, if any.² The MEC is \$115 per month during 2013 and increases to \$119 per month in 2014. The retiree is responsible for paying the remainder of the medical premium.
 - If not covered by the CalPERS medical program, the City does not contribute toward the cost of medical coverage in retirement; the retiree responsible for payment of the full medical premium for himself and any covered dependents.

Current premium rates: The monthly medical premium rates applicable to covered employees are shown in the table below. The 2014 premiums are shown for the CalPERS medical plans (other southern California region); all other plan rates are those applicable during calendar year 2013.

Other Southern California Counties 2014 CalPERS Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield Access/ Adv HMO	\$543.21	\$1,086.42	\$1,412.35	\$298.21	\$596.42	\$922.35
Blue Shield NetValue/ Adv HMO	457.17	914.34	1188.64	298.21	596.42	870.72
Kaiser HMO	602.79	1205.58	1567.25	294.97	589.94	951.61
PERS Choice PPO	612.25	1224.50	1591.85	307.23	614.46	981.81
PERS Select PPO	586.32	1172.64	1524.43	307.23	614.46	966.25
PERSCare PPO	638.22	1276.44	1659.37	327.36	654.72	1037.65

2013 Health Plan Rates for Non-CalPERS Plans						
Plan	Actives and Pre-Med Retirees			Medicare Eligible		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield PPO	\$767.73	\$1,474.36	\$1,568.37	\$582.16	\$1,063.37	\$1,068.97
CIGNA HMO	857.44	1800.63	2572.32	N/A	N/A	N/A
CIGNA PPO	651.18	1367.49	1953.55	N/A	N/A	N/A
CIGNA Surround	N/A	N/A	N/A	320.13	655.24	967.86

Employees hired after the dates in the chart on page 18 (Tier 2 employees) receive monthly contributions from the City which accumulate in a Retiree Health Savings Account (RHSA); the monthly credits vary based on bargaining agreements. These amounts accumulate until retirement and may then be applied toward the cost of retiree health coverage. In accordance with GASB 45, neither the RHSA contributions for active employees nor the RHSA balance are considered as liabilities in this valuation.

² The City has indicated it maintains a pre-tax flexible benefit plan in place for active employees, which provides premiums in excess of the MEC, and that such additional payments are not required to be provided to retired employees to meet PEMHCA requirements.

Table 4
Actuarial Methods and Assumptions

Valuation Date	June 30, 2013
Funding Method	Entry Age Normal Cost, level percent of pay ³
Asset Valuation Method	Market value of assets (\$0; plan has not yet been funded)
Discount Rate	4.0%
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
General Inflation Rate	3.0% per year

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 below and on the following pages.

Mortality Before Retirement Mortality rates in each of the tables below were projected by applying Scale AA on a fully generational basis.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only			CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial Deaths		
Age	Male	Female	Age	Male	Female
15	0.00045	0.00006	15	0.00045	0.00006
20	0.00047	0.00016	20	0.00050	0.00019
30	0.00053	0.00036	30	0.00063	0.00046
40	0.00087	0.00065	40	0.00100	0.00078
50	0.00176	0.00126	50	0.00191	0.00141
60	0.00395	0.00266	60	0.00412	0.00283
70	0.00914	0.00649	70	0.00933	0.00668
80	0.01527	0.01108	80	0.01548	0.01129

³ 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 After Retirement Mortality rates in each of the tables below were projected by applying Scale AA on a fully generational basis.

Healthy Lives			Disabled Lives		
CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality Disabled Lives (continued)			CalPERS Public Agency Disabled Miscellaneous Post Retirement Mortality		
Age	Male	Female	Age	Male	Female
40	0.00093	0.00062	20	0.00664	0.00478
50	0.00239	0.00125	30	0.00790	0.00512
60	0.00720	0.00431	40	0.01666	0.00674
70	0.01675	0.01244	50	0.01632	0.01245
80	0.05270	0.03749	60	0.02293	0.01628
90	0.16747	0.12404	70	0.03870	0.03019
100	0.34551	0.31876	80	0.08388	0.05555
110	1.00000	1.00000	90	0.21554	0.14949

Disabled Lives (continued)

CalPERS Public Agency Disabled Fire Post Retirement Mortality			CalPERS Public Agency Disabled Police Post Retirement Mortality		
Age	Male	Female	Age	Male	Female
20	0.00313	0.00238	20	0.00230	0.00181
30	0.00205	0.00175	30	0.00227	0.00188
40	0.00217	0.00207	40	0.00272	0.00224
50	0.00518	0.00412	50	0.00503	0.00401
60	0.00808	0.00815	60	0.00845	0.00835
70	0.02269	0.01743	70	0.02304	0.01771
80	0.06956	0.04549	80	0.06984	0.04569
90	0.16676	0.13799	90	0.16774	0.13822

Termination Rates

For miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
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

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Termination Rates
(continued)

For police employees: sum of CalPERS Terminated Refund and Terminated Vested rates for police officers – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1013	0.0000	0.0000	0.0000	0.0000	0.0000
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

For fire employees: sum of CalPERS Terminated Refund and Terminated Vested rates for firefighters – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.0947	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.0947	0.0323	0.0257	0.0000	0.0000	0.0000
25	0.0947	0.0323	0.0257	0.0090	0.0000	0.0000
30	0.0947	0.0323	0.0257	0.0090	0.0079	0.0000
35	0.0947	0.0323	0.0257	0.0090	0.0079	0.0069
40	0.0947	0.0323	0.0257	0.0090	0.0079	0.0069
45	0.0947	0.0323	0.0257	0.0090	0.0079	0.0069

Service Retirement Rates

*For miscellaneous employees hired before 1/1/2013:
CalPERS Public Agency 2.7% @ 55 – Illustrative rates*

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0275	0.0350	0.0425	0.0500	0.0575	0.0650
55	0.0908	0.1155	0.1403	0.1650	0.1898	0.2145
60	0.0880	0.1120	0.1360	0.1600	0.1840	0.2080
65	0.1458	0.1855	0.2253	0.2650	0.3048	0.3445
70	0.1288	0.1638	0.1990	0.2340	0.2692	0.3042
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Service Retirement Rates
(continued)

*For miscellaneous employees hired on or after
1/1/2013: CalPERS Public Agency 2% @ 62 –
Illustrative rates*

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
65	0.1287	0.1638	0.1989	0.2340	0.2691	0.3042
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

*For police employees hired before 1/1/2011:
CalPERS Public Agency 3% @ 50 – Illustrative
rates*

Attained Age	Years of Service					
	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

*For fire employees hired before 7/1/2011:
CalPERS Public Agency 3% @ 50 – Illustrative
rates*

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0340	0.0340	0.0340	0.0480	0.0680	0.0800
52	0.0690	0.0690	0.0690	0.0970	0.1380	0.1630
55	0.1270	0.1270	0.1270	0.1770	0.2520	0.2980
57	0.1010	0.1010	0.1010	0.1410	0.2010	0.2380
60	0.1500	0.1500	0.1500	0.2100	0.2985	0.3540
62	0.1250	0.1250	0.1250	0.1750	0.2488	0.2950
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Service Retirement Rates
(continued)

*For safety employees hired on or after 1/1/2013: CalPERS
Public Agency 2.7% @ 57 – Illustrative rates*

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
55	0.0854	0.0854	0.0854	0.0854	0.1563	0.2785
60	0.1396	0.1396	0.1396	0.1396	0.1719	0.2506
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
70	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

Illustrative rates:

CalPERS Public Agency Miscellaneous Disability		
Age	Male	Female
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 Fire Combined Disability	
Age	Unisex
20	0.00034
25	0.00130
30	0.00262
35	0.00382
40	0.00502
45	0.00632
50	0.00794
55	0.07305
60	0.07351

CalPERS Public Agency Police Combined Disability	
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

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Healthcare Trend

Medical plan 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 in the chart below:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2014	Actual or 8.5%*	2020	5.50%
2015	8.00%	2021	5.00%
2016	7.50%	2022	4.50%
2017	7.00%	2023	4.50%
2018	6.50%	2024	4.64%
2019	6.00%	& later	4.64%

** Actual increases used for CalPERS plan rates; other plan rates were assumed to increase by 8.5%*

The PEMHCA minimum required contribution (MEC) is assumed to increase annually by 4.5%.

Participation Rates

Active employees: The following percentages of active employees are assumed to continue their current plan election in retirement:

Portion of Medical Premium Paid by the City	Percent Electing
75% - 100% of premium	100%
50% of premium	75%
PEMHCA Minimum Only	50%
No City cost sharing	20%

Retired employees: Existing medical plan elections are assumed to be maintained until death.

Spouse Coverage

Active employees: 85% are assumed to be married and of these, 90% of those electing coverage in retirement are assumed to also elect coverage for their spouse. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives.

Retired participants: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used, where known; in not, husbands are assumed to be 3 years older than their wives.

**Table 4 - Actuarial Methods and Assumptions
(Concluded)**

Dependent Coverage Where the City subsidizes the cost of dependent benefits, an existing election for coverage of dependent children is assumed to be maintained until the youngest child is age 26.

Medicare Eligibility Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Development of Age-related Medical Premiums *Applied to the Blue Shield PPO premiums for Fire and Police Safety and Management employees: Actual premium rates were adjusted to an age-related basis by applying the rates per the "Representative Curve for General Use" as presented by Petertil, August 2003, Society of Actuaries. Rates between 50 and 64 were averaged and rounded to the nearest .5%. A uniform rate was developed and applied prior to age 50 following analysis of plans offered.*

Age	1 year Aging Factor	Age	1 year Aging Factor
Before 65	3.50%	80	1.00%
65	3.00%	85	0.50%
70	2.50%	90	0.00%
75	2.00%	and over	

Medical claims after Medicare eligibility are assumed to be 42.3% of those prior to eligibility.

Changes Since the Prior Valuation:

Discount rates *Pay-As-You-Go rate: decreased from 4.5% to 4.0%*
For prefunding illustration: decreased from 7.5% to 7.0%

Mortality improvement Future improvement in mortality was projected by applying Scale AA on a fully generational basis to the rates published in the 1997-2007 CalPERS Experience Study.

Healthcare trend Medical plan premiums are assumed to increase at slightly higher rates than were assumed in the prior valuation.

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	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2013	\$1,976,604	\$ -	\$ 1,976,604	\$ 401,825	\$ -	\$ 401,825	\$ 2,378,429
2014	1,976,261	141,156	2,117,417	418,541	17,541	436,082	2,553,499
2015	2,008,265	273,031	2,281,296	459,107	36,176	495,283	2,776,579
2016	2,111,742	420,485	2,532,227	507,982	56,204	564,186	3,096,413
2017	2,188,294	577,351	2,765,645	543,455	82,212	625,667	3,391,312
2018	2,268,682	743,993	3,012,675	607,062	113,048	720,110	3,732,785
2019	2,332,810	916,839	3,249,649	676,392	134,584	810,976	4,060,625
2020	2,390,920	1,115,292	3,506,212	737,605	165,307	902,912	4,409,124
2021	2,406,143	1,330,544	3,736,687	785,911	209,413	995,324	4,732,011
2022	2,390,211	1,570,873	3,961,084	764,266	238,886	1,003,152	4,964,236

Appendix 1 Illustration of Results on a Prefunding Basis

The following table compares an illustration of prefunding results to those developed on a pay-as-you-go basis for the fiscal year ending June 30, 2014. Amortization of the unfunded actuarial accrued liability is developed on the same basis as described in Section F.

Valuation date	Pay-As-You-Go	Prefunding
	6/30/2013	
For fiscal year beginning	7/1/2012	7/1/2012
For fiscal year ending	6/30/2013	6/30/2013
Discount rate	4.00%	7.00%
Actuarial Present Value of Projected Benefits		
Actives	\$ 76,740,654	\$ 39,310,232
Retirees	57,940,272	40,931,626
Total APVPB	134,680,926	80,241,858
Actuarial Accrued Liability (AAL)		
Actives	48,565,987	29,061,931
Retirees	57,940,272	40,931,626
Total AAL	106,506,259	69,993,557
Actuarial Value of Assets		
	-	-
Unfunded AAL (UAAL)	106,506,259	69,993,557
Factor	23.78603	17.24796
Annual Required Contribution (ARC)		
Normal Cost	2,441,576	1,065,061
Amortization of UAAL	4,477,681	4,058,077
Interest to 01/00	-	-
Total ARC at fiscal year end	6,919,257	5,123,138
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	\$ 6,919,257	\$ 5,123,138
b. Interest on Net OPEB Obligation (Asset) at beginning of year	809,984	1,417,472
c. Adjustment to the ARC	(885,376)	(1,256,210)
d. Annual OPEB Expense (a. + b. + c.)	6,843,865	5,284,400
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	2,378,429	2,378,429
b. Estimated contribution to OPEB trust	-	2,744,709
c. Total Expected Employer Contribution	2,378,429	5,123,138
3. Change in Net OPEB Obligation (1.d. minus 2.c.)	4,465,436	161,262
Net OPEB Obligation (Asset), beginning of fiscal year	20,249,594	20,249,594
Net OPEB Obligation (Asset) at fiscal year end	24,715,030	20,410,856

Appendix 2 Breakout of Valuation Results by Group

The chart below breaks out the valuation results for 8 employee groups for the fiscal year ending June 30, 2013. Amortization of the unfunded actuarial accrued liability is on the same basis as described in Section F (page 8) and in Table 1B (page 12).

FISCAL YEAR ENDING JUNE 30, 2013 Group	Projected Value of Projected Benefits	UAAL: Unfunded Actuarial Accrued Liability	Normal Cost	Amortization of UAAL	Interest to Fiscal Year End	ARC: Annual Required Contribution
Elected Official	\$ 620,034	\$ 449,784	\$ 22,707	\$ 18,910	\$ -	\$ 41,617
Exempt	\$ 3,581,474	\$ 2,984,486	\$ 77,210	\$ 125,472	\$ -	\$ 202,682
Fire Safety	\$ 19,052,888	\$ 15,329,835	\$ 289,209	\$ 644,489	\$ -	\$ 933,698
Fire Management	\$ 17,505,556	\$ 14,651,837	\$ 261,568	\$ 615,984	\$ -	\$ 877,552
General Management	\$ 26,873,839	\$ 20,594,309	\$ 543,191	\$ 865,816	\$ -	\$ 1,409,006
Police Management	\$ 11,793,790	\$ 10,031,639	\$ 177,584	\$ 421,745	\$ -	\$ 599,329
Police Safety	\$ 4,946,471	\$ 4,578,588	\$ 56,556	\$ 192,490	\$ -	\$ 249,046
	\$ 50,306,874	\$ 37,885,781	\$ 1,013,551	\$ 1,592,775	\$ -	\$ 2,606,327
Totals	\$ 134,680,926	\$ 106,506,259	\$ 2,441,576	\$ 4,477,681	\$ -	\$ 6,919,257

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)
6/30/2009	\$ -	\$ 82,358,071	\$ 82,358,071	0%	\$ 31,310,364	263.04%
6/30/2011	\$ -	\$ 99,590,050	\$ 99,590,050	0%	\$ 26,309,954	378.53%
6/30/2013	\$ -	\$ 106,506,259	\$ 106,506,259	0%	\$ 34,035,753	312.92%

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	\$ 6,859,855	\$ 1,599,058	23%	\$ 20,249,594
6/30/2013	\$ 6,843,865	\$ 2,378,429	35%	\$ 24,715,030
6/30/2014	\$ 7,222,728	\$ 2,553,499	35%	\$ 29,384,259

Italicized values above represent values that may change if contributions are other than projected.

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