Bickmore Risk Services & Consulting

October 8, 2009

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, 2009 Actuarial Valuation of OPEB Liabilities

Dear Jeff:

We are pleased to enclose our report providing the results of the June 30, 2009 actuarial valuation of "other post-employment benefits" (OPEB) liabilities for the City of Palm Springs (the City). The report's text describes our analysis and assumptions in detail.

Annual contributions will vary depending on whether the City elects to pre-fund liabilities and if so, how rapidly the City elects to amortize the past service liability and whether amortization will be on a level percent of pay or level dollar basis. The report provides financial results for each approach. Pre-funding the plan supports use of a 7.75% interest rate; this significantly reduces the disclosed liabilities for funded programs compared to the results using the 4.5% interest rate applicable to the "pay-as-you-go" approach.

The liabilities shown in this report reflect our discussions about retiree eligibility as well as the impact of several assumptions relating to utilization of this benefit. These assumptions include (a) the percent of eligible retirees who will elect coverage and (b) the subset of those who will elect to cover their spouse. Liabilities are also included relating to the implicit subsidy of premium rates for retirees covered under the Blue Cross and Blue Shield medical plans as explained more fully in the report. The valuation also reflects our understanding of the City's intent to clarify the City's designated contribution toward medical coverage for active employees in accordance with CalPERS' requirements where these benefits are provided through a flexible benefit arrangement.

We appreciate the opportunity to work with you on this analysis. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

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

Enclosure

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City of Palm Springs

Actuarial Valuation of Other Post-Employment Benefit Programs

As of June 30, 2009

October 2009

Bickmore Risk Services & Consulting

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Table of Contents

A. Executive Summary

This report presents the results of the June 30, 2009 actuarial valuation of the City of Palm Springs (the City) "other post-employment benefit" (OPEB) programs. The purpose of this valuation was to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

In summary, the liabilities of this program for the fiscal year beginning July 1, 2008 are estimated below, with details of the valuation process and results on the following pages.

- *If the City continues on a pay-as-you-go basis, i.e., no prefunding is adopted*,
  - We calculate the GASB 45 actuarial accrued liability (AAL) to be $77,025,475.
  - If there are no assets set aside in an irrevocable trust to offset these liabilities, the funded status of the plan as of this date would be ($77,025,475).
  - Contributions for the fiscal year ending June 30, 2009 are estimated to be $1,225,274, equal to the sum of estimated payments on behalf of retirees ($938,554) plus current year's implicit subsidy ($286,720) made during the period.
  - We calculate the annual OPEB expense for the plan to be $5,999,053 and estimate the net OPEB obligation to be $4,773,779 as of June 30, 2009.
- *If entry age normal cost prefunding is adopted on the minimum basis permitted by GASB 45*,
  - We calculate the actuarial accrued liability to be $47,966,004 and the annual required contribution (ARC) to be $4,024,899.
  - The marginal difference in contributions required to satisfy the minimum prefunding requirement is estimated to be $2,795,625 ($4,020,899 less $1,225,274). This additional amount would enable the City to reduce the net OPEB obligation at year end by $4,773,779.
- *More rapid prefunding is permitted and several options are illustrated in this report.*
  - For example, if the City elects to fully fund the plan through June 30, 2009, we estimate the total cash outlay for the program to be $49,216,019.
  - Other options exist between the minimum prefunding and the full funding amounts shown above. These include level dollar amortization of the unfunded actuarial liability and application of earmarked funds set aside in reserve to be applied toward the funding of OPEB liabilities.
- This valuation has been prepared on a closed group basis, that is, only current employees and retirees are included. No provision is made for new employees.

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, though once established, changes should be made with the approval of your auditor.

B. Requirements of GASB 45

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. In July 2004, 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 provides 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.

GASB has mandated disclosure of this information for fiscal years beginning in 2007 through 2009, depending on the size of the employer's revenue base for the fiscal year ending in 1999 (see GASB Statement No. 34 for complete details). As the City maintains a fiscal year beginning July 1, the required implementation date of GASB 45 depends on the City's revenue for the fiscal year which began July 1, 1998.

- If revenue for that year was less than $10 million, the City must comply no later than the fiscal year beginning July 1, 2009;
- For revenues between $10 million and $100 million, July 1, 2008; and
- For revenues exceeding $100 million, July 1, 2007.

Based on the information provided to us, the City's revenues for the fiscal year which began July 1, 1998 were between $10 and $100 million. It is our understanding that the City will be in compliance by June 30, 2009 as required by GASB 45.

The actuarial assumptions used in this report for GASB 45 analysis are intended to comply with the requirements of CalPERS for participation in its prefunding vehicle for OPEB liabilities, the California Employers Retiree Benefit Trust (CERBT). While this report does not take a position either on whether the City should prefund or the appropriate investment vehicle for doing so, assuming our application of methods and assumptions is acceptable to CalPERS, the option of using CERBT is available to the City using the analysis in this report.

Finally, 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 Risk Services (BRS) 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. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in August 2009 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 3A, based on information supplied to BRS by the City. Additionally, we have modified the plan summary provided in the State of California OPEB Valuation as of July 1, 2007, dated May 7, 2007, for reference and included in this report as Table 3B. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

Because prefunding is at the discretion of the City, we have provided disclosure figures and projected cash outlays on both the non-funded (pay-as-you-go) and pre-funded bases and have provided a number of options for amortizing the actuarial accrued liability.

The City requested that the resulting liabilities be segregated by employment group as follows:

- Elected
- Exempt
- Fire Management
- Fire Safety
- Management
- Police Management
- Police Safety

The basic liabilities and related components for each group are presented on separate pages in Table 1D. Should the City adopt specialized funding policy for any of these groups, we can assist in additional calculations as needed for the accounting disclosures.

As to the specific development of the figures shown in Tables 1A and 1B, which use the entry age normal cost method, we first developed an estimated total liability at retirement for each active employee. We applied the applicable trend assumption to develop an expected premium and/or benefit stream over the employee's future retirement, calculated a present value of these premiums at retirement, and allocated this present value by year over the employee's career. Amounts attributed to fiscal years beginning before 2008 form the "actuarial accrued liability" (AAL). The amount allocated to the current year is referred to as the "normal cost". Amounts may be allocated by year over the employee's career as a level dollar amount or as a level percentage of payroll. In this valuation, costs are allocated as a level percentage of payroll. Subtracting the assets from the AAL produces the unfunded actuarial Accrued Liability (UAAL). Amortization of the UAAL together with amounts attributed to the fiscal year beginning July 1, 2008 form the "annual required contribution" (ARC).

Valuation Process
(Concluded)

Explicit and Implicit Subsidies

A direct employer payment toward the cost of OPEB benefits is sometimes referred to as an “explicit” subsidy and these are included in the determination of OPEB liabilities. In addition, because retirees are on average older than actives, where active employees and pre-Medicare retirees pay the same premium rates, there is an “implicit subsidy” of retiree claims by active employee costs. Even when the premium is reduced for Medicare eligible retirees, this may simply reflect that the employer’s plan is secondary to Medicare and is expected to pay only a percent of the retiree’s claims; it often does not reflect separate rating of retiree claims experience. GASB 45 generally requires this implicit subsidy of retiree premium rates be attributed to the retiree liability (see paragraph 13.a. of GASB 45). It is our understanding that these are the circumstances which apply to the City.

There is a conditional exception to the requirement to disclose an implicit rate subsidy where the employer plan is “community-rated”, “in which premium rates reflect the projected health claims experience of all participating employers rather than that of any single participating employer, and the insurer or provider organization charges the same unadjusted premiums for both active employees and retirees”. CalPERS has taken the position that PEMHCA plans are community-rated, while the plan for California State employees and most non-PEMHCA plans are not (“OPEB Assumption Model”, 11/14/2006). Consequently, we have excluded any consideration of implicit rate subsidies for employees participating in the CalPERS medical program. Based on information we received from the other insurers, it appears that the City’s coverage in the Blue Cross and Blue Shield plans do not meet the community rated plan exception. As such, our report does make age-related premium adjustments and computes an implicit rate subsidy for employees participating in those plans.

D. Choice of Actuarial Funding Method and Assumptions

GASB 45 allows the use of any of six actuarial funding methods. The "ultimate real cost" of an employee benefit plan is the present 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". From this, it can be seen that 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. A brief description of the six permissible funding methods can be found in the glossary.

Factors Impacting the Selection of Funding Method

The funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. 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.

The aggregate method will tend to produce the highest initial contributions. This theory would be appropriate if the City wished to aggressively prefund the plan. This is commonly done by employers who wish to cover any unfunded liability as quickly as possible, or who wish to build up an investment fund quickly because they anticipate positive investment results.

The unit credit cost method tends to produce the lowest initial contributions to the plan, with relatively higher contributions in later years. Under the City's retiree medical plan design, the method is equivalent to the projected unit credit method (PUC). This theory could be justified in several ways. First, the financial circumstance of being forced to immediately recognize this liability could justify limited initial recognition, especially for the City as an early adopter. Second, there are aspects of the allowed actuarial funding methods which can overstate initial liabilities. For example, all of the approved methods are closed-group, recognizing only current employees. As new employees enter the plan in the future, they are generally younger and therefore less expensive than the average current employees. Third, the City may believe that plan experience will be more favorable than that assumed in this report; for example, that medical trend will be less than predicted, or that favorable investment experience will occur, as described above. While we do not believe that the open-group approach would substantially lower the contributions computed by the entry age normal cost method (EANC), if the City believes that any of the special circumstances cited above apply here, adoption of the unit credit cost method may be justified in the initial years of disclosure.

The entry age normal cost method generally produces initial contributions between the two methods described above, and is generally regarded by pension actuaries as the most stable of the funding methods. The goal of GASB 45 is to match recognition of retiree

Choice of Actuarial Funding Method and Assumptions (Continued)

medical expense with the periods during which the benefit is earned, and this funding method effectively meets that goal in most circumstances. While we believe this approach is quite effective in creating intergenerational equity between generations of taxpayers, it is also fair to say that the method is most effective at doing that when it is implemented at the adoption of the benefit plan. Where, as here, funding is delayed, by definition, earlier generations have not paid their fair share. This could be an argument for either accelerated funding now (aggregate method) to more rapidly move to the true annual current service cost or transitional recognition (lower initial contributions) through use of the unit credit method. However, application of the entry age normal cost method as a percentage of payroll in the GASB 45 environment tends to produce lower initial contributions than unit credit while still keeping contributions level as a percentage of payroll, and so it is becoming the most commonly used method for GASB 45 compliance.

CalPERS Implications

Special considerations apply to the selection of actuarial funding methods and assumptions for the City. In particular, CalPERS has issued a set of standardized actuarial methods and assumptions to be used by entities participating in the CalPERS GASB 45 prefunding vehicle, CERBT. As the vast majority of public entities in California wish to at least consider joining CERBT, these assumptions can be expected to be in wide use throughout the state. This approach also places the City on as much of an “apples to apples” basis with other California government agencies as is currently possible, which should be appreciated by the users of your financial statements.

Choice in Amortization Period and Adoption Date

The period and method for amortizing the AAL can significantly affect the ARC in current and future years. CalPERS indicates that the allowable range is the range prescribed by GASB 45. GASB 45 prescribes a maximum amortization period of 30 years and uses a minimum amortization period of 10 years for certain gains and losses. Amounts allocated as a level percentage of payroll can be expected to increase over time as payroll increases. An alternative is to amortize the unfunded AAL as a level dollar amount, so that this component of the ARC does not increase over time; only the normal cost would increase in concert with payroll increases in the future. The unfunded AAL would be extinguished by level dollar annual payments, much like a conventional mortgage.

When an organization adopts GASB 45, the statement generally anticipates amortization of the unfunded actuarial accrued liability will take place over a number of years. However, immediate full funding of the accrued liability is permitted. We have followed this approach in the final column of Table 1B; this is why the expected employer contribution is shown as the interest-adjusted sum of the normal cost and the accrued liability. While this approach requires a very high first year contribution to fund the entire AAL, expected contributions in future years are then reduced to the expected normal cost

Choice of Actuarial Funding Method and Assumptions (Concluded)

(as a percentage of payroll). This method is most often adopted in one of the following circumstances:

1. The employer wishes to provide funding security for current and future retirees by accelerating funding;

2. The employer has substantial reserves or other assets invested in the Local Agency Investment Fund (LAIF) and prefers to access the higher expected rates of return through equity-based investments in a qualified trust; or

3. The employer believes the payment of past service liability is associated with previous ratepayers/taxpayers and believes payment of future normal costs only creates the fairest "intergenerational equity" for current and future ratepayers/taxpayers while stabilizing this element of the rate base (this concept is most commonly found with utilities or enterprise funds).

It would certainly be possible to fund most but not all of the AAL in the first year; calculations supplementing this report can be provided to the City if such an approach becomes of interest here.

Contribution Timing

Contributions in Tables 1A and 1B reflect the assumption that the full annual contribution will be made on the last day of the fiscal year. To the extent that contributions are made earlier and/or ratably throughout the year, an interest discount would apply. We are available to provide interest adjusted contributions in accordance with your intended contribution pattern at your request.

Funding of the Implicit Subsidy

While retirees as a group are older and have higher expected claims, active and retired employees are all assigned the same premium. This represents a favorable price for the retirees and, as explained previously, is referred to as an implicit subsidy. In practical terms, when the City pays the premiums for active employees each year, their premiums include an amount expected to be transferred to cover the portion of the retirees' claims not covered by their premiums. This transfer represents the current year's implicit subsidy.

The standard allows for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution to the ARC (see paragraph 13.g.of GASB 45). We have estimated the portion of this year's premium payment attributable to the implicit subsidy for the current year and recommend netting this amount against the funding requirement for the implicit subsidy (see Table 1C). Not doing so would "double account" for this portion of the expense and overfund the implicit liabilities in the long term.

E. Certification

We certify that this report has been prepared in accordance with our understanding of GASB 45, and that the figures in Tables 1A and 1B accurately present our analysis of the disclosures for this plan required by GASB 45. Each signing individual is a Manager in the Health & Benefits Actuarial Unit at Bickmore Risk Services and a Member of the American Academy of Actuaries who satisfies the pension qualification requirements for rendering this opinion; in addition Jeff Furnish meets the health qualification requirements for rendering this opinion. Collectively, the undersigned team meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Signed: October 8, 2009

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA

Jeffrey J. Furnish

Jeffrey J. Furnish, FCA, ASA, MAAA

Table 1A
Summary of Results
Minimum Contribution Alternatives

Funding Policy			
Approach	Pay-As-You-Go	Prefunding	Prefunding
Interest Rate	4.50%	7.75%	7.75%
Amortization method	Level % of pay	Level % of pay	Level dollar
Amortization period (in years)	30	30	30
Number of Covered Employees			
Actives	446	446	446
Retirees	118	118	118
Total Participants	564	564	564
Actuarial Present Value of Projected Benefits (APVPB)			
Actives	$ 86,282,605	$ 41,112,631	$ 41,112,631
Retirees	28,530,471	19,651,476	19,651,476
Total APVPB	114,813,076	60,764,107	60,764,107
Actuarial Accrued Liability (AAL)			
Actives	48,495,004	28,314,528	28,314,528
Retirees	28,530,471	19,651,476	19,651,476
Total AAL	77,025,475	47,966,004	47,966,004
Actuarial Value of Assets	0	0	0
Unfunded AAL (UAAL)	77,025,475	47,966,004	47,966,004
Annual Required Contribution (ARC)			
Normal Cost	2,958,587	1,250,015	1,250,015
Amortization of UAAL	3,040,466	2,774,884	3,861,350
Interest to 06/30/09	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	5,999,053	4,024,899	5,111,365
Additional payment expected toward UAAL	0	0	0
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	1,225,274	4,024,899	5,111,365
Net OPEB Obligation at 07/01/08[1]	0	0	0
Expected Net OPEB Obligation (Asset) at 06/30/09	4,773,779	0	0

Normal Cost as a percent of payroll	9.4%	4.0%	4.0%
ARC as a percent of payroll	19.2%	12.9%	16.3%
ARC per Active Ee	$ 13,451	$ 9,024	$ 11,460

[1] Assumes adoption of GASB 45 for fiscal year ending 06/30/09. Net OPEB Obligation is $0 at start of first fiscal year in which GASB 45 adopted with prospective application.

Table 1B
Breakout of Explicit and Implicit Subsidies

The table below breaks out explicit and implicit subsidies and compares them on an unfunded ("Pay-As-You-Go") basis and a prefunded basis. All results are shown on the minimum permissible basis under GASB 45, reflecting prospective adoption and amortization of the unfunded actuarial liability over a 30 year period on a level percent of pay basis).

Approach	**Pay-As-You-Go**			**Prefunding Using EAN**		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Number of Covered Employees						
Actives	366	352	446	366	352	446
Retirees	109	80	118	109	80	118
Total Participants	475	432	564	475	432	564
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	$ 64,950,923	$ 21,331,682	86,282,605	$ 31,283,646	$ 9,828,985	41,112,631
Retirees	21,375,081	7,155,390	28,530,471	14,918,522	4,732,954	19,651,476
Total APVPB	86,326,004	28,487,072	114,813,076	46,202,168	14,561,939	60,764,107
Actuarial Accrued Liability (AAL)						
Actives	36,930,825	11,564,179	48,495,004	21,684,781	6,629,747	28,314,528
Retirees	21,375,081	7,155,390	28,530,471	14,918,522	4,732,954	19,651,476
Total AAL	58,305,906	18,719,569	77,025,475	36,603,303	11,362,701	47,966,004
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	58,305,906	18,719,569	77,025,475	36,603,303	11,362,701	47,966,004
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	2,203,741	754,846	2,958,587	939,164	310,851	1,250,015
Amortization of UAAL (30 yrs; increasing)	2,301,539	738,927	3,040,466	2,117,540	657,344	2,774,884
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	4,505,280	1,493,773	5,999,053	3,056,704	968,195	4,024,899
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	938,554	286,720	1,225,274	3,056,704	968,195	4,024,899
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	3,566,726	1,207,053	4,773,779	0	0	0
Current Year's Expected Benefit Payments	938,554			938,554		
Current Year's Implicit Subsidy		286,720			286,720	

The explicit and implicit subsidy figures shown above are summed and displayed under the respective funding method columns on Tables 1A and 1B.

Table 2
Summary of Employee Data

The City reported 446 active employees, 115 participating retirees and 2 surviving spouses. Age and service information for the reported individuals is provided below:

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	3	7	1				11	2%
25 to 29	5	31	11	1			48	11%
30 to 34	1	25	18	6			50	11%
35 to 39	7	10	16	16	2		51	11%
40 to 44		16	20	9	7	2	54	12%
45 to 49	1	14	16	7	11	23	72	16%
50 to 54	1	18	12	10	8	35	84	19%
55 to 59		6	7	7	3	16	39	9%
60 to 64		7	7	6	4	6	30	7%
65 to 69		1	2		1		4	1%
70 & Up				1	2		3	1%
Total	18	135	110	63	38	82	**446**	**100%**
Percent	4%	30%	25%	14%	9%	18%	**100%**	

(Percentages adjusted to total 100%)

Annual Covered Payroll	$31,310,364
Average Attained Age for Actives	44.4
Average Years of Service	10.7

Retirees by Age		
Current Age	**Number**	**Percent**
Below 50	4	3%
50 to 54	20	17%
55 to 59	26	22%
60 to 64	37	32%
65 to 69	20	17%
70 to 74	6	5%
75 to 79	3	3%
80 & up	1	1%
Total	**117**	**100%**
Average Attained Age for Retirees:		61.1
Includes 2 surviving spouses with an average age of 57.8		

Participants by Group			
Group	**Actives**	**Retired**	**Total**
Elected Official	5	3	8
Exempt	19	9	28
Fire Management	17	3	20
Fire Safety	41	15	56
General	201	30	231
Management	70	26	96
Police Management	5	6	11
Police Safety	88	26	114
Total	446	118	564

Table 3A
Summary of Retiree Benefit Provisions

The City has indicated the only OPEB provided is medical plan coverage. This coverage is available for employees who satisfy the requirements for retirement under CalPERS: attainment of age 50 (45 for police and fire) with 5 or more years of State or public agency service or approved disability retirement. An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits from the City.

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).
- Police and fire employees are covered by the Blue Shield PPO plan.
- All other employees (general unit) may elect coverage in either the Blue Cross HMO or PPO plan.

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. 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.

- Employees satisfying service requirements and hired prior to the dates shown below are entitled to a lifetime subsidy toward the medical coverage in effect at the time of their retirement.

<table>
<tr><th>Group</th><th>Benefit Close Date</th><th>Percent of Premium Paid By City</th><th>Includes Premiums For</th></tr>
<tr><td>Elected Officials and Exempt</td><td>9/7/2005</td><td>50% after 7.5 years
75% after 11.5 years
100% after 15.5 years</td><td>Retiree & Spouse</td></tr>
<tr><td>General</td><td>12/7/2005</td><td rowspan="6">75% after 20 years
100% after 25 years</td><td rowspan="2">Retiree & Spouse</td></tr>
<tr><td>Management</td><td>9/7/2005</td></tr>
<tr><td>Fire Management</td><td>7/1/2006</td><td rowspan="4">Retiree & All Eligible Dependents</td></tr>
<tr><td>Fire Safety</td><td>11/1/2006</td></tr>
<tr><td>Police Management</td><td>10/20/2005</td></tr>
<tr><td>Police Safety</td><td>11/1/2006*</td></tr>
</table>

** As stated by the City; a specific date was not provided in the Polic Safety MOU.*

- Unless the employee is covered by the CalPERS medical program, the City does not contribute toward the cost of medical coverage for retirees who were hired after the dates in the chart above, did not meet the service requirements or retired prior to the date the subsidies took effect.

Table 3A
(Continued)

- For those retirees covered in the CalPERS medical program, the City's current PEMHCA resolution provides that the City will contribute an equal amount for both active and retired employees[1] and that this amount will be the Minimum Employer Contribution (MEC) required for participation in the CalPERS medical program ($101 per month in 2009).

The premium rates applicable to covered employees in 2009 are as follows:

2009 Premium Rates				
	Retiree Non-Medicare		Retiree with Medicare	
Plan	Single	Two Party	Single	Two Party
PERS Choice	$458.59	$917.18	$349.11	$698.22
PERS Care	$712.71	$1,425.42	$404.60	$809.20
PERS Select	$430.72	$861.44	$349.11	$698.22
PERS Blue Shield HMO	$471.18	$942.36	$341.44	$682.88
PERS Kaiser	$425.11	$850.22	$280.16	$560.32
Blue Cross PPO	$632.34	$1,327.96	$599.07	$1,198.16
Blue Cross HMO	$381.96	$802.10	$381.96	$802.10
Blue Shield PPO *	$599.68	$1,145.88	$456.99	$820.89

** Includes the premium for MHN (employee assistance program) coverage available only to Police and Fire retirees.*

CalPERS provides medical benefits to California State employees and local agency (PEMHCA) employees. While benefits are essentially identical, monthly rates for coverage of covered active and retired employees are computed separately under the two programs. The table above illustrates rates reflect the Other Southern California Counties rate group for the CalPERS. A different rate may apply for the same coverage where the member resides outside of this area. These variances, if any, are reflected in the valuation, but not listed here. Note that these rates vary by county of residence, while the rates given in the valuation of State employees are statewide rates. Additionally, CalPERS charges an administrative fee most recently set at .27% of total premiums (FY 2006/7. These expenses are not separately analyzed in this valuation.

[1] It is our understanding that there is a pre-tax flexible benefit plan in place for active employees that 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 3A
(Concluded)

The following chart provides a brief summary of benefits provided in the Blue Cross and Blue Shield medical plans. Similar information for the CalPERS plans (as well as some of the eligibility and coverage requirements for that program) are summarized in Table 3B which begins on the next page.

Plan Options	Blue Cross	Blue Cross		Blue Shield	
Covered Services	HMO	PPO	Non-PPO	PPO	Non-PPO
Lifetime Maximum Benefit	N/A	$6,000,000 per member		$6,000,000	
Calendar Year Deductible					
Member	$1,500	$250	$250	$0	$100
Family	$4,500	$500	$500	$0	$300
Annual Out of Pocket Maximum					
Member	$1,500	$1,000	$3,000	$500	$1,500
Family	$4,500	$2,000	$6,000	$1,500	$4,500
Emergency Services					
ER facility	$100	90% + $50	90% + $50	90% + $50	90% + $50
Inpatient hospital	No copay	90%	70% over 48 hrs	90%	90%
ER Physician	No copay	90%	90%	90%	90%
Ambulance	No copay	Unknown	Unknown	90%	90%
Diagnostic Services					
MRI, CT scan	No copay	90%	70%	90%	70%
Routine Lab	No copay	90%	70%	90%	70%
Hospital Services					
Inpatient	No copay	90%	70% + $500	90%	70%
Outpatient	No copay	90%	70%	90%	70%
Physician Services					
Office & home visit	$10	$10	70%	90%	70%
Specialist visit	$10	90%	70%	90%	70%
Substance Abuse					
Inpatient	No copay	90%	70%	50%	50%
Outpatient	No copay	90%	70%	50%	50%
Prescription Drug					
Generic	$5	$5	$5	$5	$5
Brand	$10	$10	$10	$10	$10
Mail Service	$10 / $20	$10 / $20	$10 / $20	$10 / $20	Not Covered

Table 3B
General CalPERS Provisions

(The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of July 1, 2007, issued May 7, 2007, to the State Controller from Gabriel Roeder & Smith; the material has been edited for clarity and to remove material concerning association plans, contributions on behalf of judges and legislators)

SUMMARY OF THE
CURRENT SUBSTANTIVE PLAN PROVISIONS
Other Postemployment Benefits
Sponsored by the State of California
As of January 1, 2007

Eligibility Requirements

<u>Health Care Coverage</u>

Retired Employees

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employer will notify CalPERS and the member's coverage will continue into retirement.

Survivors of an Annuitant

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Eligibility Exceptions

Certain family members are not eligible for CalPERS health benefits:

- Children age 23 or older;
- Children who have been married;
- Children's spouses;
- Disabled children over age 23 who were never enrolled or who were deleted from coverage;

Table 3B - General CalPERS Provisions (Continued)

- Former spouses;
- Grandparents;
- Parents;
- Children of former spouses; and
- Other relatives

Survivors of an Employee or Annuitant

Departments are required to continue paying the State Contributions for a covered employee's spouse, domestic partner, and other eligible family members for up to 120 days following an employee's death. During this time, CalPERS will determine if the spouse or other family members are eligible for continuation coverage.

After 120 days, the surviving family member(s) will be eligible to continue their current coverage if they meet all of the following criteria:

- They were enrolled as dependents at the time of death;
- They qualify for a monthly survivor allowance from CalPERS; and
- They continue to qualify as family members.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

Children of registered domestic partners may have continued eligibility if they were enrolled as family members at the time of a member's death.

Coordination with Medicare

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

Table 3B - General CalPERS Provisions (Continued)

HMO Basic Plans Blue Shield of California, Kaiser Permanente , Western Health Advantage	
	Copay and/or Benefit Limit
Hospital Inpatient Outpatient Blue Shield and Western Health Advantage Kaiser Performance	No Charge No Charge $10/visit
Physician Services Office Visits More than one copay may apply during an office visit if multiple services are provided Gynecological Exam Periodic Health Exam Well-Baby Care Allergy Testing/Treatment Blue Shield and Western Health Advantage Kaiser Permanente Immunization/Inoculation Blue Shield And Western Health Advantage Kaiser Permanente Vision Exam (Refraction) For age 17 and under. Varies by plan for age 18 and over and may be limited to one visit per calendar year. Hearing Exam/Screening Inpatient Hospital Visits Surgery/Anesthesia	$10/visit $10/visit $10/visit $10/visit $10/visit $5/visit (injection visits) $10/visit (testing visits) $10/immunization No Charge $10/visit $10/visit No Charge No Charge
Ambulance Service Air/ground ambulance service	No Charge
Emergency Services Waived if admitted as an inpatient or for observations as an outpatient	$50/visit
Prescription Drug Benefit	
Blue Shield and Western Health Advantage Retail Pharmacy (up to 30-day supply) Mail Order Program (up to 90-day supply) $1,000 maximum copayment per person per calendar year Kaiser Permanente Provides up to 100-day supply (or a 30-day supply for certain drugs) through either its pharmacies or mail order program	$5/generic $15/formulary brand name $45/nonformulary *($30 if medical necessity approved)* $10/generic $25/formulary brand name $75/non-formulary *($45 if medical necessity approved)* $5/generic $15/brand name

Table 3B - General CalPERS Provisions (Continued)

PERS Choice & PERSCare PPO Basic Plans				
	PERS Choice Member's Cost		PERSCare Member's Cost	
	PPO	Non-PPO	PPO	Non-PPO
Calendar Year Deductible Individual Family	$500 $1,000		$500 $1,000	
Maximum Calendar Year Copay Individual Family	$3,000 $6,000	None None	$2,000 $4,000	None None
Lifetime Maximum Benefit - Per Individual	$2,000,000		None	
Hospital Per admission deductible Inpatient and Outpatient	None 20%	None 40%	$250 10%	$250 40%
Physician Services Office Visits Urgent Care Visits Hospital Outpatient Other Professional Services Preventative Care Services	$20 copay $20 copay $20 copay 20% No Charge	40% 40% 40% 40% 40%	$20 copay $20 copay 10% 10% No Charge	40% 40% 40% 40% 40%
Ambulance Service	20%	20%	20%	20%
Emergency Services ($50 deductible per visit for covered ER charges – waived if admitted to Hospital)	20%	20%	10%	10%
Prescription Drug Benefit	Generic	Preferred Brand	Non-Preferred Brand	
Applies to PERS Choice and PERSCare Retail Pharmacy* PERS Choice (up to 30-day supply) PERSCare (up to 34 day supply) *short-term use	$5	$15	$45 ($30 if partial waiver of Non-Preferred Brand copayment approved)	
Retail Pharmacy Maintenance Medications filled after 2nd Fill** PERS Choice (up to 30-day supply) PERSCare (up to 34-day supply) ** A maintenance medication taken longer than 60 days for chronic conditions	$10	$25	$75 ($45 if partial waiver of Non-Preferred Brand copayment approved)	
Mail Service Pharmacy A $1,000 maximum copayment per person per calendar year applies (up to 90-day supply for PERS Choice and PERSCare)	$10	$25	$75 ($45 if partial waiver of Non-Preferred Brand copay approved)	

Table 3B - General CalPERS Provisions (Continued)

HMO Medicare Plans Blue Shield of California, Kaiser Permanente , Western Health Advantage		
	Supplement to Original Medicare Plans	Medicare Managed Care Plan (Medicare Advantage)
	Blue Shield of California Western Health Advantage	Kaiser Permanent Senior Advantage
	Copay and/or Benefit Limit	Copay and/or Benefit Limit
Hospital		
Inpatient	No Charge	No Charge
Outpatient	No Charge	$10/visit
Physician Services		
Office Visits	$10/visit	$10/visit
Gynecological Exam	$10/visit	$10/visit
Periodic Health Exam	$10/visit	$10/visit
Allergy Testing/Treatment	$10/visit	$3/visit (injection visits) $10/visit (testing visits)
Immunization/Inoculation	$10/immunization	No Charge
Vision Exam (Refraction)		
Western Health Advantage	$10 in network	$10/visit
Blue Shield of California	$10/visit	$10/visit
Hearing Exam/Screening	$10/visit	$10/visit
Inpatient Hospital Visits	No Charge	No Charge
Surgery/Anesthesia	No Charge	$10/visit
Ambulance Service		
Air/ground ambulance service	No Charge	No Charge
Emergency Services Waived if admitted as an inpatient or for observations as an outpatient	$50/visit	$50/visit
Prescription Drug Benefit		
Retail Pharmacy (up to 30-day supply) (Does not apply to Kaiser)	$5/generic $15/formulary brand name $45/non-formulary ($30 if medical necessity approved)	$5/generic $15/ brand name Kaiser Permanente provides up to 100-day supply (or a 30-day supply for certain drugs) through its pharmacies or mail order program
Mail Order Program $1,000 maximum copayment per person per calendar year (up to 90-day supply) (Does not apply to Kaiser)	$10/generic $25/formulary brand name $75/non-formulary ($45 if medical necessity approved)	$5/generic $15/brand name *(Kaiser Permanente provides up to 100-day supply (or 30-day for certain drugs) through its pharmacies or mail order program)*

Table 3B - General CalPERS Provisions (Concluded)

PERS Choice & PERS Care Supplement Plans PPO Supplement to Original Medicare Plans			
	PERS Choice **PPO**		PERSCare **PPO**
Calendar Year Deductible	None Plan pays Medicare Parts A and B deductible		None Plan pays Medicare Parts A and B deductible
Lifetime Maximum Benefit - Per Individual	$2,000,000 (after Medicare payments)		None
Hospital Inpatient and Outpatient	No Charge		No Charge
Physician Services			
Physician Office Visits	No Charge		No Charge
Home Visits	No Charge		No Charge
Hospital Visits	No Charge		No Charge
Gynecological Exam	No Charge		No Charge
Allergy Testing/Treatment	No Charge		No Charge
Ambulance Service	No Charge		No Charge
Emergency Services	No Charge		No Charge
Prescription Drug Benefit	Generic	Preferred Brand	Non-Preferred Brand
Applies to PERS Choice and PERSCare Retail Pharmacy* PERS Choice (up to 30-day supply) PERSCare (up to 34-day supply) *short -term use	$5		$45 ($30 if partial waiver of Non-Preferred Brand copayment approved)
Retail Pharmacy Maintenance Medications filled after 2nd Fill** PERS Choice (up to 30-day supply) PERSCare (up to 34-day supply) ** A maintenance medication taken longer than 60 days for chronic conditions.	$10		$75 ($45 if partial waiver of Non-Preferred Brand copayment approved)
Mail Service Pharmacy A $1,000 maximum copayment per person per calendar year applies (up to 90-day supply for PERS Choice and PERSCare)	$10		$75 ($45 if partial waiver of Non-Preferred Brand copayment approved)

Table 4
OPEB Valuation Actuarial Methods and Assumptions

Valuation Date	June 30, 2009
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets ($0; plan has not yet been funded)
Discount Rate	4.5% if unfunded; 7.75% if funded
Salary Increase	3.25% per year
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis
Mortality Before Retirement	Illustrative rates:

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only		
Age	Male	Female
15	0.00013	0.00006
20	0.00019	0.00009
30	0.00038	0.00021
40	0.00077	0.00046
50	0.00156	0.00102
60	0.00314	0.00226
70	0.00634	0.00500
80	0.01277	0.01108

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial Deaths		
Age	Male	Female
15	0.00013	0.00006
20	0.00022	0.00012
30	0.00048	0.00031
40	0.00094	0.00063
50	0.00179	0.00125
60	0.00344	0.00256
70	0.00671	0.00537
80	0.01320	0.01151

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality (Concluded)
After Retirement

Illustrative rates:

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality				
	Male		Female	
Age	Regular	Disabled	Regular	Disabled
40	0.0010	0.0087	0.0007	0.0064
50	0.0025	0.0146	0.0014	0.0113
60	0.0072	0.0287	0.0044	0.0188
70	0.0214	0.0467	0.0128	0.0302
80	0.0626	0.0948	0.0388	0.0651
90	0.1738	0.2079	0.1259	0.1619
100	0.3472	0.4560	0.3204	0.4024
110	1.0000	1.0000	1.0000	1.0000

Turnover

CalPERS Public Agency Miscellaneous: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

Age at Hire	Years of Service						
	0	5	10	15	20	25	30
15	0.1830	0.0834	0.0643	0.0515	0.0387	0.0259	0.0131
20	0.1760	0.0765	0.0574	0.0446	0.0318	0.0190	0.0010
30	0.1622	0.0627	0.0435	0.0307	0.0041	0.0009	0.0002
40	0.1483	0.0488	0.0095	0.0046	0.0009	0.0002	0.0002
50	0.1345	0.0129	0.0051	0.0008	0.0002	0.0002	0.0002

CalPERS Public Agency Fire: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

Age at Hire	Years of Service						
	0	5	10	15	20	25	30
15	0.0947	0.0257	0.0090	0.0079	0.0069	0.0057	0.0054
20	0.0947	0.0257	0.0090	0.0079	0.0069	0.0057	0.0009
30	0.0947	0.0257	0.0090	0.0079	0.0016	0.0010	0.0009
40	0.0947	0.0257	0.0029	0.0021	0.0016	0.0010	0.0009
50	0.0947	0.0095	0.0029	0.0021	0.0016	0.0010	0.0009

CalPERS Public Agency Police: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

Age at Hire	Years of Service						
	0	5	10	15	20	25	30
15	0.1299	0.0297	0.0213	0.0129	0.0097	0.0082	0.0076
20	0.1299	0.0297	0.0213	0.0129	0.0097	0.0082	0.0012
30	0.1299	0.0297	0.0213	0.0129	0.0022	0.0015	0.0012
40	0.1299	0.0297	0.0068	0.0035	0.0022	0.0015	0.0012
50	0.1299	0.0110	0.0068	0.0035	0.0022	0.0015	0.0012

Table 4 - Actuarial Methods and Assumptions (Continued)

Retirement Rates

CalPERS Public Agency Miscellaneous
2.7% @ 55 – Illustrative rates

Age	Male	Female
50	0.0500	0.0700
53	0.0300	0.0600
55	0.0900	0.1000
58	0.0800	0.1000
60	0.1700	0.1300
62	0.2800	0.2300
65	0.2700	0.2700
66	0.1500	0.1600
68	0.1300	0.1200
70 & over	1.0000	1.0000

CalPERS Public Agency Fire
3% at 50– Illustrative rates

Age	Years of Service					
	5	10	15	20	25	30
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CalPERS Public Agency Police
3% at 50– Illustrative rates

Age	Years of Service					
	5	10	15	20	25	30
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (Continued)

Healthcare Trend Rate

Medical plan premiums and the CalPERS minimum required employer contribution under PEMHCA are assumed to increase at rates shown in the table below:

Year	Rate	Year	Rate
2009	3.4% *	2014	7.00%
2010	9.00%	2015	6.50%
2011	8.50%	2016	5.50%
2012	8.00%	2017	4.50%
2013	7.50%	& later	

* The assumed trend for the Blue Cross and Blue Shield plans is 9.5% in 2009

Participation Rate

Current active employees: The following percentage of 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%
Required PERS amount only	65%
No City cost sharing	20%

Current retired employees: Existing medical plan elections are assumed to be maintained through retirement until death.

Spouse Coverage

Current active employees: 85% are assumed to be married and of these, 80% 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.

Current retired employees: Existing elections for spouse coverage are assumed to be maintained through retirement until earlier of the spouse's or retiree's death.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 65. Those who are not currently eligible are assumed to remain ineligible.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Development of Age-related Premiums

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 for pre-Medicare eligible individuals.

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.

Table 5
Projected Retiree Medical Premiums

The following provides a projection of retiree medical premiums expected to be paid by the City. Please note:

- The final payments for currently active employees may not be made for 75 years or more. This exhibit shows results for every 5th year after 2018 to view the trend in employees and expected payments.
- The expected benefit payments reflect the benefits applicable to each employment group and tier (i.e., those hired after certain dates have reduced benefits as described in Table 3A of our report.
- Imbedded in these projections are assumptions reflecting the likelihood that an employee may not continue in service with the City to receive benefits. For those that do, appropriate assumptions are made to reflect the probability of retirement at various ages. Table 4 of our report provides details.
- After reduction for the probability an employee may not receive a benefit, for the remaining probability he or she does, those benefit reflect assumptions as to whether they will elect coverage for themselves and/or dependents.
- The cost of benefits payable, once commenced, reflect expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefit will cease.

Fiscal Year Ending June 30	Current Retirees Exp Number	Current Retirees Expected Benefits	Future Retirees Exp Number	Future Retirees Expected Benefits	Total Receiving Benefits	Total Direct Retiree Benefits
2009		938,554		-		938,554
2010	109.00	965,350	-	78,886	109.00	1,044,345
2011	107.94	1,027,624	16.55	193,512	124.49	1,221,260
2012	106.77	1,098,831	36.29	327,000	143.06	1,425,974
2013	105.50	1,161,666	56.14	476,697	161.64	1,638,525
2014	104.11	1,193,725	74.44	646,038	178.55	1,839,942
2015	102.60	1,253,819	94.08	840,409	196.68	2,094,425
2016	100.97	1,292,826	115.10	1,041,604	216.07	2,334,646
2017	99.19	1,335,643	134.33	1,271,299	233.52	2,607,176
2018	97.28	1,354,288	154.94	1,501,167	252.22	2,855,707
2023	87.57	1,361,691	240.78	2,707,024	328.35	4,069,043
2028	74.58	1,318,256	315.64	4,266,440	390.22	5,585,086
2033	57.68	1,150,158	341.62	5,707,561	399.30	6,858,118
2038	37.92	862,751	317.23	6,644,517	355.15	7,507,623
2043	19.75	526,225	259.76	6,646,541	279.51	7,173,046
2048	7.83	251,075	191.13	5,983,233	198.96	6,234,507
2053	2.24	87,085	127.44	4,977,672	129.68	5,064,887
2058	0.42	19,829	77.64	3,857,568	78.06	3,877,475
2063	0.04	2,382	42.19	2,687,655	42.23	2,690,079
2068	-	79	19.49	1,590,575	19.49	1,590,673
2073	-	-	7.31	758,248	7.31	758,255
2078	-	-	2.06	266,443	2.06	266,445

Appendix 1
Breakout by Employment Group

The tables beginning on this page break out explicit and implicit subsidies for each group on both an unfunded ("Pay-As-You-Go") basis and a prefunded basis. All results are shown on the minimum permissible basis under GASB 45, reflecting prospective adoption and amortization of the unfunded actuarial liability over a 30 year period on a level percent of pay basis).

	Group 1 - Elected Official					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	5	0	5	5	0	5
Retirees	3	0	3	3	0	3
Total Participants	8	0	8	8	0	8
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	304,295	0	304,295	173,506	0	173,506
Retirees	415,617	0	415,617	287,891	0	287,891
Total APVPB	719,912	0	719,912	461,397	0	461,397
Actuarial Accrued Liability (AAL)						
Actives	129,817	0	129,817	86,758	0	86,758
Retirees	415,617	0	415,617	287,891	0	287,891
Total AAL	545,434	0	545,434	374,649	0	374,649
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	545,434	0	545,434	374,649	0	374,649
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	23,380	0	23,380	13,836	0	13,836
Amortization of UAAL (30 yrs, increasing)	21,530	0	21,530	21,674	0	21,674
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	44,910	0	44,910	35,510	0	35,510
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	17,389	0	17,389	35,510	0	35,510
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	27,521	0	27,521	0	0	0
Current Year's Expected Benefit Payments	17,389			17,389		
Current Year's Implicit Subsidy		0			0	

Appendix 1
(Continued)

	Group 2 - Exempt					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	19	0	19	19	0	19
Retirees	9	0	9	9	0	9
Total Participants	28	0	28	28	0	28
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	2,123,787	0	2,123,787	1,245,328	0	1,245,328
Retirees	1,788,115	0	1,788,115	1,280,789	0	1,280,789
Total APVPB	3,911,902	0	3,911,902	2,526,117	0	2,526,117
Actuarial Accrued Liability (AAL)						
Actives	1,326,018	0	1,326,018	873,865	0	873,865
Retirees	1,788,115	0	1,788,115	1,280,789	0	1,280,789
Total AAL	3,114,133	0	3,114,133	2,154,654	0	2,154,654
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	3,114,133	0	3,114,133	2,154,654	0	2,154,654
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	96,405	0	96,405	51,166	0	51,166
Amortization of UAAL (30 yrs, increasing)	122,926	0	122,926	124,649	0	124,649
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	219,331	0	219,331	175,815	0	175,815
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	88,762	0	88,762	175,815	0	175,815
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	130,569	0	130,569	0	0	0
Current Year's Expected Benefit Payments	88,762			88,762		
Current Year's Implicit Subsidy		0			0	

Appendix 1
(Continued)

	Group 3 - Fire Management					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	17	17	17	17	17	17
Retirees	3	3	3	3	3	3
Total Participants	20	20	20	20	20	20
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	4,999,889	2,335,619	7,335,508	2,791,552	1,234,396	4,025,948
Retirees	828,435	426,540	1,254,975	557,291	274,147	831,438
Total APVPB	5,828,324	2,762,159	8,590,483	3,348,843	1,508,543	4,857,386
Actuarial Accrued Liability (AAL)						
Actives	3,763,021	1,766,769	5,529,790	2,358,430	1,048,370	3,406,800
Retirees	828,435	426,540	1,254,975	557,291	274,147	831,438
Total AAL	4,591,456	2,193,309	6,784,765	2,915,721	1,322,517	4,238,238
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	4,591,456	2,193,309	6,784,765	2,915,721	1,322,517	4,238,238
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	137,499	63,953	201,452	55,115	24,082	79,197
Amortization of UAAL (30 yrs, increasing)	181,241	86,578	267,819	168,678	76,509	245,187
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	318,740	150,531	469,271	223,793	100,591	324,384
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	30,431	10,290	40,721	223,793	100,591	324,384
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	288,309	140,241	428,550	0	0	0
Current Year's Expected Benefit Payments	30,431			30,431		
Current Year's Implicit Subsidy		10,290			10,290	

Appendix 1
(Continued)

	Group 4 - Fire Safety					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	32	41	41	32	41	41
Retirees	12	15	15	12	15	15
Total Participants	44	56	56	44	56	56
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	8,593,949	4,376,844	12,970,793	3,836,603	1,826,207	5,662,810
Retirees	2,531,216	1,564,129	4,095,345	1,733,754	1,024,608	2,758,362
Total APVPB	11,125,165	5,940,973	17,066,138	5,570,357	2,850,815	8,421,172
Actuarial Accrued Liability (AAL)						
Actives	4,118,101	2,002,188	6,120,289	2,392,188	1,100,575	3,492,763
Retirees	2,531,216	1,564,129	4,095,345	1,733,754	1,024,608	2,758,362
Total AAL	6,649,317	3,566,317	10,215,634	4,125,942	2,125,183	6,251,125
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	6,649,317	3,566,317	10,215,634	4,125,942	2,125,183	6,251,125
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	295,531	155,321	450,852	121,020	60,526	181,546
Amortization of UAAL (30 yrs, increasing)	262,472	140,775	403,247	238,690	122,944	361,634
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	558,003	296,096	854,099	359,710	183,470	543,180
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	102,466	50,513	152,979	359,710	183,470	543,180
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	455,537	245,583	701,120	0	0	0
Current Year's Expected Benefit Payments	102,466			102,466		
Current Year's Implicit Subsidy		50,513			50,513	

Appendix 1
(Continued)

	Group 5 - General					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	147	201	201	147	201	201
Retirees	27	30	30	27	30	30
Total Participants	174	231	231	174	231	231
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	23,721,115	4,991,195	28,712,310	11,155,171	2,495,576	13,650,747
Retirees	5,421,134	1,525,233	6,946,367	3,753,169	1,083,519	4,836,688
Total APVPB	29,142,249	6,516,428	35,658,677	14,908,340	3,579,095	18,487,435
Actuarial Accrued Liability (AAL)						
Actives	13,537,809	2,858,643	16,396,452	7,676,196	1,705,165	9,381,361
Retirees	5,421,134	1,525,233	6,946,367	3,753,169	1,083,519	4,836,688
Total AAL	18,958,943	4,383,876	23,342,819	11,429,365	2,788,684	14,218,049
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	18,958,943	4,383,876	23,342,819	11,429,365	2,788,684	14,218,049
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	774,679	183,761	958,440	328,744	85,788	414,532
Amortization of UAAL (30 yrs, increasing)	748,375	173,046	921,421	661,200	161,328	822,528
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	1,523,054	356,807	1,879,861	989,944	247,116	1,237,060
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	223,106	97,020	320,126	989,944	247,116	1,237,060
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	1,299,948	259,787	1,559,735	0	0	0
Current Year's Expected Benefit Payments	223,106			223,106		
Current Year's Implicit Subsidy		97,020			97,020	

Appendix 1 (Continued)

	Group 6 - Management					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	70	0	70	70	0	70
Retirees	26	0	26	26	0	26
Total Participants	96	0	96	96	0	96
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	6,185,456	0	6,185,456	3,153,869	0	3,153,869
Retirees	3,588,019	0	3,588,019	2,560,168	0	2,560,168
Total APVPB	9,773,475	0	9,773,475	5,714,037	0	5,714,037
Actuarial Accrued Liability (AAL)						
Actives	3,989,380	0	3,989,380	2,371,992	0	2,371,992
Retirees	3,588,019	0	3,588,019	2,560,168	0	2,560,168
Total AAL	7,577,399	0	7,577,399	4,932,160	0	4,932,160
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	7,577,399	0	7,577,399	4,932,160	0	4,932,160
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	200,393	0	200,393	87,211	0	87,211
Amortization of UAAL (30 yrs, increasing)	299,107	0	299,107	285,331	0	285,331
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	499,500	0	499,500	372,542	0	372,542
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	175,882	0	175,882	372,542	0	372,542
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	323,618	0	323,618	0	0	0
Current Year's Expected Benefit Payments	175,882			175,882		
Current Year's Implicit Subsidy		0			0	

Appendix 1 (Continued)

	Group 7 - Police Management					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	5	5	5	5	5	5
Retirees	6	6	6	6	6	6
Total Participants	11	11	11	11	11	11
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	1,311,038	658,100	1,969,138	841,438	406,620	1,248,058
Retirees	1,426,650	691,040	2,117,690	1,020,050	454,774	1,474,824
Total APVPB	2,737,688	1,349,140	4,086,828	1,861,488	861,394	2,722,882
Actuarial Accrued Liability (AAL)						
Actives	1,159,556	584,591	1,744,147	783,256	379,880	1,163,136
Retirees	1,426,650	691,040	2,117,690	1,020,050	454,774	1,474,824
Total AAL	2,586,206	1,275,631	3,861,837	1,803,306	834,654	2,637,960
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	2,586,206	1,275,631	3,861,837	1,803,306	834,654	2,637,960
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	35,713	17,667	53,380	14,867	6,982	21,849
Amortization of UAAL (30 yrs, increasing)	102,087	50,354	152,441	104,323	48,286	152,609
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	137,800	68,021	205,821	119,190	55,268	174,458
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	70,244	34,971	105,215	119,190	55,268	174,458
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	67,556	33,050	100,606	0	0	0
Current Year's Expected Benefit Payments	70,244			70,244		
Current Year's Implicit Subsidy		34,971			34,971	

Appendix 1
(Concluded)

	Group 8 - Police Safety					
Approach	Pay-As-You-Go			Prefunding Using EAN		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	7.75%	7.75%
Participants in Group						
Actives	71	88	88	71	88	88
Retirees	23	26	26	23	26	26
Total Participants	94	114	114	94	114	114
Actuarial Present Value of Projected Benefits (APVPB)						
Actives	17,711,394	8,969,924	26,681,318	8,086,179	3,866,186	11,952,365
Retirees	5,375,895	2,948,448	8,324,343	3,725,410	1,895,906	5,621,316
Total APVPB	23,087,289	11,918,372	35,005,661	11,811,589	5,762,092	17,573,681
Actuarial Accrued Liability (AAL)						
Actives	8,907,123	4,351,988	13,259,111	5,142,096	2,395,757	7,537,853
Retirees	5,375,895	2,948,448	8,324,343	3,725,410	1,895,906	5,621,316
Total AAL	14,283,018	7,300,436	21,583,454	8,867,506	4,291,663	13,159,169
Actuarial Value of Assets	0	0	0	0	0	0
Unfunded AAL (UAAL)	14,283,018	7,300,436	21,583,454	8,867,506	4,291,663	13,159,169
Annual Required Contribution (ARC) - minimum basis						
Normal Cost	640,141	334,144	974,285	267,205	133,473	400,678
Amortization of UAAL (30 yrs, increasing)	563,801	288,174	851,975	512,995	248,277	761,272
Interest to 06/30/09	0	0	0	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	1,203,942	622,318	1,826,260	780,200	381,750	1,161,950
Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09	230,276	93,926	324,202	780,200	381,750	1,161,950
Net OPEB Obligation at 07/01/08	0	0	0	0	0	0
Expected Net OPEB Obligation at 06/30/09	973,666	528,392	1,502,058	0	0	0
Current Year's Expected Benefit Payments	230,276			230,276		
Current Year's Implicit Subsidy		93,926			93,926	

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

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

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