January 9, 2012

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, 2011 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Jeff:

We are pleased to enclose our report providing the results of the June 30, 2011 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.

One of the key results of the OPEB valuation is the "annual required contribution" (ARC) which, oddly, is an amount not actually required to be contributed. It is, however, the primary component of the annual OPEB expense. This expense, and the liabilities from which it is derived, vary depending on whether the City elects to prefund liabilities or continue on a pay-as-you-go basis. Related decisions involve how rapidly the unfunded accrued liability is amortized and whether the payments are determined as level dollar amounts or as a level percent of payroll. These subjects are discussed further in the report.

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

For those employees covered by PEMHCA resolutions, it is our understanding that the City contributes a portion of active medical premiums directly to CalPERS and the balance of its contribution for active employees through a flexible benefit arrangement, in accordance with PEMHCA requirements.

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

Sincerely,

Catherine L. MacLeod

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

Enclosure

Bickmore Risk Services & Consulting

City of Palm Springs

Actuarial Valuation of Other Post-Employment Benefit Programs as of

June 30, 2011

January 2012

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Table of Contents

A. Executive Summary

This report presents the results of the June 30, 2011 actuarial valuation of the City of Palm Springs (the City) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical coverage for qualified retirees. 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).

Prefunding the plan supports use of a higher discount rate and generally produces substantially lower liabilities than a pay-as-you-go funding policy which requires a lower discount rate; discount rates of 7.5% and 4.5% were used for the prefunding and pay-as-you-go results, respectively, in this valuation. 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.

The following summarizes the results for the fiscal year ending June 30, 2011, assuming the City continues funding on a pay-as-you-go basis:

- We calculate the GASB 45 actuarial accrued liability (AAL) to be $99,590,050. With no assets set aside in an irrevocable trust to offset these liabilities, the unfunded accrued liability as of this date is also $99,590,050. Amortization of the unfunded AAL is assumed to continue over the remaining 28 years of the closed 30 year period, with payments developed as a level percent of payroll.
- We calculate the annual required contribution (ARC) to be $6,696,932.
- The City's OPEB contributions total $1,829,452 for the fiscal year ending June 30, 2011, equal to (a) $1,476,267 in retiree medical premiums paid by the City plus (b) $353,185 the calculated value of the implicit subsidy provided during this period.
- Based on the calculations and contributions as described above, we believe the net OPEB obligation to be $14,988,797 as of June 30, 2011.
- Results for fiscal year ending June 30, 2012 are also illustrated in exhibits beginning on page 9. Results by group and a prefunding exhibit are provided in the appendices.
- There are other funding options in addition to those described above. These include shorter amortization periods and partial pre-funding, each of which would require additional calculations.

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 next actuarial valuation date should not be later than June 30, 2013. 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.

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 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).

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 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. 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 leave[1] or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits 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, this 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 either a “community-rated” or “cost-sharing” program. GASB guidance indicates that an agency whose membership is a small portion (in the neighborhood of 1%) of the total coverage of a multiple employer plan to reasonably conclude that any change in their group’s mix of retirees and active 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. This report, therefore, does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.
- Other employees are covered by association plans in which the claims experience of active and retired members is co-mingled in setting premium rates. We have included an implicit subsidy of retiree medical premiums in this valuation because neither the community-rated nor cost-sharing employer exceptions appear to apply.

[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.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in September 2011 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. 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 premiums as of the valuation date.

- These present value determinations reflect assumptions for the likelihood that an employee may not continue in service with the City to receive benefits;
- For those that do, appropriate assumptions are made to reflect the probability of retirement at various ages.
- After reduction for the probability an employee may not receive a benefit, for the remaining probability he or she does, those benefits reflect assumptions as to whether they will elect coverage for themselves and/or dependents.
- The cost of benefits payable, once they begin for each employee, reflect expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefit will cease. 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".

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. Changes Since the Prior Valuation

In addition to updates in employee and premium data, this valuation reflects the following changes which impacted projected OPEB costs:

1. A net reduction of 40 members covered by the plans. The number of eligible active employees decreased by 68 (15%) while the number of participating retirees increased by 28 (24%). Earlier than anticipated retirements accelerate (increase) the OPEB liability.
2. Revised assumptions for mortality, termination and retirement, based on the 2007 CalPERS experience study;
3. Updated trend rates for future premium increases and future increases in the PEMHCA minimum required contribution to better reflect anticipated experience;
4. Recognition of potential benefits payable in the event of a disability retirement have been considered for valuation purposes;
5. Modest changes in the assumed level of spouse coverage in retirement and in the participation level of future retirees who qualify only for the required PEMHCA minimum contribution; and
6. A change in how benefits to dependents of retirees are calculated, reflecting the extension of coverage required under recent federal legislation.

The net affect of these changes are a 17% decrease in the accrued liability and normal cost for active employees and a 79% increase in the expected value of benefits for current retirees.

F. Funding Policy

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

Determination of the ARC

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

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

The ARC for the fiscal years ending June 30, 2011 and June 30, 2012 is developed in Table 1B on a pay-as-you-go basis. Appendix 1 compares the ARC calculated on a pay-as-you-go basis (from Column 2 in Table 1B) to the ARC on a prefunding basis for the fiscal year ending June 30, 2012.

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).

It is our understanding that the City's pay-as-you-go funding policy includes amortization of the unfunded AAL over a closed 30-year period initially established in 2009; the remaining period applicable in developing the ARC for the fiscal year ending June 30, 2011 is 28 years. Amortization payments are determined on a level percent of pay basis.

Funding of the Implicit Subsidy

The implicit subsidy liability created when expected retiree medical claims exceed the retiree premiums was described earlier in Section C. 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 (the current year's implicit subsidy). Paragraph 13.g. of GASB 45 provides for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer's contribution to the ARC. We have estimated the current year's implicit subsidy for non-PEMHCA plans, which may be offset against the corresponding funding requirement (see Table 1C).

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.

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the City. In general, we have based the actuarial assumptions used for this valuation on the actuarial assumptions used for the actuarial valuations of the CalPERS retirement plans in which the City's employees participate. In addition, where not otherwise in conflict or inconsistent with the City's circumstances, we have followed the standardized actuarial method and/or assumptions to be used by entities participating in the California Employers Retiree Benefit Trust (CERBT). Even if the City does not participate in this OPEB trust, these assumptions will be widely used throughout the state and should make the City's results more easily compared to those of other California public agencies. The assumptions required for use by CERBT were updated since the last valuation, to reflect recent experience, and the revised assumptions were utilized for this valuation.

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 4.5% discount rate, the same rate used in the prior valuation. Since no OPEB trust has yet been established, for illustrative purposes, we have used a 7.5% discount rate in developing results on a funded basis. The actual discount rate, should the City decide to fund with CERBT or any other trust, will depend on the particular investments and asset allocation strategy selected.

H. Certification

We certify that this report has been prepared in accordance with our understanding of GASB 45, and that the figures in Tables 1A, 1B and 1C accurately present our analysis of the actuarial calculations 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 qualification requirements for rendering this opinion.

Signed: January 9, 2012

Catherine L. MacLeod

Francis M. Schauer, Jr.

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

In the following exhibit, Column 2 summarizes the results of the June 30, 2011 valuation of OPEB obligations for the City calculated on a pay-as-you-go funding basis as provided under GASB 45. This valuation is assumed to first be applied to the City's fiscal year ending June 30, 2011.

- The annual OPEB expense for the fiscal year ending June 30, 2010 was based on an adjustment (roll forward) of results developed from the 2009 valuation, shown here in Column 1 for comparison only.
- The June 2011 valuation results in Column 2 are used to develop the ARC and annual OPEB expense for the fiscal year ending June 30, 2011
- The 2011 valuation results have been adjusted (rolled forward) and presented in column 3 to be applicable to the fiscal year ending June 30, 2012.

	Pay-As-You-Go Basis		
Valuation date	**6/30/2009**	**6/30/2011**	
For fiscal year beginning	7/1/2009	7/1/2010	7/1/2011
For fiscal year ending	6/30/2010	6/30/2011	6/30/2012
Discount rate	4.50%	4.50%	4.50%
Number of Covered Employees			
Actives	446	378	378
Retirees	118	146	146
Total Participants	564	524	524
Actuarial Present Value of Projected Benefits			
Actives	$ 90,165,322	$ 78,315,080	$ 81,839,259
Retirees	28,589,068	50,968,887	51,433,035
Total APVPB	118,754,390	129,283,967	133,272,294
Actuarial Accrued Liability (AAL)			
Actives	53,769,003	48,621,163	53,455,514
Retirees	28,589,068	50,968,887	51,433,035
Total AAL	82,358,071	99,590,050	104,888,549
Actuarial Value of Assets	-	-	-
Unfunded AAL (UAAL)	82,358,071	99,590,050	104,888,549
Normal Cost	2,958,587	2,532,439	2,614,743
Benefit Payments			
Actives (in retirement)	-	-	113,181
Retirees	1,160,158	1,829,452	1,925,899
Total	1,160,158	1,829,452	2,039,080

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 0% as of June 30, 2011.

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

The following exhibit develops the amortization payment and the annual required contribution (ARC) on a pay-as-you-go funding basis for the fiscal years ending June 30, 2011 and June 30, 2012, shown in Columns 1 and 2, respectively.

	Pay-As-You-Go Basis	
Fiscal Year End	**6/30/2011**	**6/30/2012**
Funding Policy		
Discount rate	4.50%	4.50%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	28	27
Determination of Amortization Payment		
UAAL	$ 99,590,050	$ 104,888,549
Factor	23.9141	23.1915
Payment	4,164,493	4,522,716
Annual Required Contribution (ARC)		
Normal Cost	2,532,439	2,614,743
Amortization of UAAL	4,164,493	4,522,716
Interest to 06/30	-	-
Total ARC at fiscal year end	6,696,932	7,137,459

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. The projected covered payroll shown for each year below reflects assumed increases in aggregate payroll since the valuation date.

Valuation date	**6/30/2011**	
Fiscal Year End	**6/30/2011**	**6/30/2012**
Projected covered payroll	26,309,954	27,165,028
Normal Cost as a percent of payroll	9.6%	9.6%
ARC as a percent of payroll	25.5%	26.3%
ARC per active ee	17,717	18,882

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

The following exhibit develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation as of June 30, 2011 and June 30, 2012, based on the pay-as-you-go funding policy described in this report.

	Pay-As-You-Go Basis	
Fiscal Year End	**6/30/2011**	**6/30/2012**
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	$ 6,696,932	$ 7,137,459
b. Interest on Net OPEB Obligation (Asset) at beginning of year	454,867	674,496
c. Adjustment to the ARC	(441,707)	(675,389)
d. **Annual OPEB Expense (a. + b. + c.)**	6,710,092	7,136,566
2. Calculation of Expected Contribution		
a. Payments on behalf of retirees	1,476,267	1,652,272
b. Estimated contribution to OPEB trust	-	-
c. Current Year's implicit subsidy	353,185	386,808
d. **Total Expected Employer Contribution**	1,829,452	2,039,080
3. Change in Net OPEB Obligation *(1.d. minus 2.d.)*	4,880,640	5,097,486
Net OPEB Obligation (Asset), beginning of fiscal year	10,108,157	14,988,797
Net OPEB Obligation (Asset) at fiscal year end	14,988,797	20,086,283

It is our expectation that the City will replace the figures for *expected* payments to retirees (shown in column 2 above) with the *actual* payments.

If the total contributions are different than assumed, some of the figures shown above will need to be modified. We are available to assist with those adjustments at the City's request.

Table 2
Summary of Employee Data

The City reported 378 active employees; of these, 371 are currently participating in the medical program while 7 employees were waiving coverage as of the valuation date.

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	1	3	1				5	1%
25 to 29	3	18	17				38	10%
30 to 34	2	18	18	4	1		43	11%
35 to 39	1	9	15	21	6		52	14%
40 to 44		7	17	12	5	1	42	11%
45 to 49	1	7	16	16	6	18	64	17%
50 to 54	1	9	14	13	6	29	72	19%
55 to 59	1	6	5	5	6	10	33	9%
60 to 64	1		6	8	1	6	22	6%
65 to 69		1	1		1	1	4	1%
70 & Up			1		1	1	3	1%
Total	11	78	111	79	33	66	**378**	**100%**
Percent	3%	21%	29%	21%	9%	17%	**100%**	

(Percentages adjusted to total 100%)

Annual Covered Payroll	$26,309,954
Average Attained Age for Actives	44.7
Average Years of Service	11.3

There are also 146 retirees or their beneficiaries receiving benefits, whose ages are summarized below.

Retirees by Age

Current Age	Number	Percent
Below 50	4	3%
50 to 54	29	20%
55 to 59	34	23%
60 to 64	41	28%
65 to 69	23	16%
70 to 74	9	6%
75 to 79	3	2%
80 & up	3	2%
Total	**146**	**100%**
Average Attained Age for Retirees:		61.3

This chart breaks out the current active and retired members based on their employment group.

Participants by Group

Group	Actives	Retired	Total
Elected Officials	4	1	5
Exempt	20	19	39
Fire Management	18	7	25
Fire Safety	33	19	52
General	159	35	194
Management	61	27	88
Police Management	4	6	10
Police Safety	79	32	111
Total	378	146	524

Table 2
(Concluded)

Active and retired members are eligible to participate in a variety of medical plans, though the majority are covered by the first two plans listed below:

Plan	Active	Retired	Total
Blue Shield PPO	136	67	203
Blue Cross HMO	133	15	148
Blue Cross PPO	22	20	42
BS HMO LA	2	2	4
BS HMO SoCal	18	8	26
BS HMO NV LA	0	1	1
BS HMO NV SoCal	0	1	1
Kaiser LA	2	1	3
Kaiser SoCal	11	0	11
PERS Care OOS	0	2	2
PERS Choice LA	1	4	5
PERS Choice SoCal	38	23	61
PERS Choice OOS	0	1	1
PERS Select SoCal	8	1	9
Waived	7	Not Reported	7
Total	378	146	524

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.

	Number of Participants			Percent of population married and covering a spouse		
Benefit Level	**Active**	**Retired**	**Total**	**Active**	**Retired**	**Total**
No Subsidy	79	11	90	44.3%	54.5%	45.6%
MEC Only	24	0	24	62.5%	0.0%	62.5%
Subsidy	275	135	410	70.2%	74.8%	71.7%
Total	378	146	524	64.3%	73.3%	66.8%

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. The employee must commence his or her retirement warrant within 120 days of terminating employment with the City to be eligible to continue medical coverage through the City and be entitled to the employer subsidy described below.

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.

The following condition also applies to employees covered by CalPERS medical plans:

- If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period.

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.

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.

- 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.

<table>
<tr><th>Group</th><th>Retired After</th><th>Hired Prior To</th><th>Premium % Paid By City</th><th>For How Long?</th><th>Included Parties</th><th>Plan</th></tr>
<tr><td>Elected Officials and Exempt</td><td>7/1/1999</td><td>7/1/2007</td><td>50% after 7.5 yrs 75% after 11.5yrs 100% after 15.5 yrs</td><td rowspan="8">The % of premium paid by the City continues for the retiree's lifetime.</td><td rowspan="3">Retiree & Spouse</td><td rowspan="2">City</td></tr>
<tr><td>Management</td><td>7/1/1999</td><td>9/7/2005</td><td rowspan="7">75% after 20 years 100% after 25 years</td></tr>
<tr><td>General</td><td>7/1/1999</td><td>12/7/2005</td><td rowspan="6">Assoc.</td></tr>
<tr><td>Fire Management</td><td>7/1/2000</td><td>7/1/2006</td><td rowspan="5">Retiree & All Eligible Dependents</td></tr>
<tr><td>Fire Safety</td><td>1/1/1998</td><td>11/1/2006</td></tr>
<tr><td>Police Management</td><td>7/1/1998</td><td>10/20/2005</td></tr>
<tr><td>Police Safety</td><td>11/1/1997</td><td>10/25/2006</td></tr>
</table>

Table 3A
(Concluded)

- 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 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 in 2011 are shown in the table below.

Other Southern California Counties and non-CalPERS Plans - 2011 Monthly Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield HMO	$567.87	$1,135.74	$1,476.46	$337.88	$675.76	$1,016.48
Blue Shield NetValue HMO	488.62	977.24	1270.41	337.88	675.76	968.93
Kaiser HMO	477.95	955.90	1242.67	282.30	564.60	851.37
PERS Choice PPO	516.28	1032.56	1342.33	375.88	751.76	1061.53
PERS Select PPO	451.48	902.96	1173.85	375.88	751.76	1022.65
PERS Care PPO	819.18	1638.36	2129.87	433.66	867.32	1358.83
Blue Cross PPO GU	689.94	1448.94	2069.83	653.55	1372.67	1960.95
Blue Cross HMO GU	481.86	1011.90	1445.57	481.86	1011.90	1445.57
Blue Shield PPO P/F	680.17	1306.19	1389.48	515.75	942.07	947.03

The tables above illustrate the CalPERS plan rates for residents of the Other Southern California Area rate group as well as non-CalPERS plans. A different rate may apply for the same coverage where the member resides outside area; these variances, if any, are reflected in the valuation, but not listed here.

[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 3B
General CalPERS Annuitant Eligibility 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 June 30, 2010, issued March 2011, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

Health Care Coverage

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 employee will notify CalPERS and the member's coverage will continue into retirement.

Eligibility Exceptions*:* Certain family members are not eligible for CalPERS health benefits:

- Children age 26 or older
- Children's spouses
- Former spouses
- Never enrolled or disabled children over age 26
- Grandparents
- Parents
- Children of former spouses
- Other relatives

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.

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.

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

Table 4
OPEB Valuation Actuarial Methods and Assumptions

Valuation Date	June 30, 2011
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	4.5% if unfunded; 7.5% if funded
Participants Valued	Only current active employees and retired participants are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis

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 — Illustrative rates:

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] 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
Illustrative rates:

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00093	0.00062
50	0.00239	0.00125
60	0.00720	0.00431
70	0.01675	0.01244
80	0.05270	0.03749
90	0.16747	0.12404
100	0.34551	0.31876
110	1.00000	1.00000

Disabled - Miscellaneous

CalPERS Public Agency Miscellaneous Disability Post Retirement Mortality		
Age	Male	Female
20	0.00664	0.00478
30	0.00790	0.00512
40	0.01666	0.00674
50	0.01632	0.01245
60	0.02293	0.01628
70	0.03870	0.03019
80	0.08388	0.05555
90	0.21554	0.14949

Disabled – Fire

CalPERS Public Agency Fire Disability Post Retirement Mortality		
Age	Male	Female
20	0.00313	0.00238
30	0.00205	0.00175
40	0.00217	0.00207
50	0.00518	0.00412
60	0.00808	0.00815
70	0.02269	0.01743
80	0.06956	0.04549
90	0.16676	0.13799

Disabled - Police

CalPERS Public Agency Police Disability Post Retirement Mortality		
Age	Male	Female
20	0.00230	0.00181
30	0.00200	0.00173
40	0.00233	0.00211
50	0.00491	0.00392
60	0.00821	0.00822
70	0.02283	0.01754
80	0.06968	0.04558
90	0.16720	0.13809

Termination Rates

CalPERS Public Agency *Miscellaneous*: sum of Terminated Refund and Terminated Vested rates – 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 (concluded)

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

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

CalPERS Public Agency *Miscellaneous* 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)

CalPERS Public Agency *Police* (if hired before 1/1/2001)
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

CalPERS Public Agency *Fire* (if hired before 7/1/2011)
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

CalPERS Public Agency *Police* (if hired on or after 1/1/2011)
3% @ 55 – Illustrative rates

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

Table 4 - Actuarial Methods and Assumptions (Continued)

CalPERS Public Agency *Fire* (if hired on or after 7/1/2001)
3% @ 55 – Illustrative rates

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0120	0.0120	0.0120	0.0180	0.0280	0.0330
52	0.0180	0.0180	0.0180	0.0270	0.0420	0.0500
55	0.0920	0.0920	0.0920	0.1340	0.2110	0.2460
57	0.1000	0.1000	0.1000	0.1460	0.2300	0.2680
60	0.1170	0.1170	0.1170	0.1695	0.2670	0.3120
62	0.0975	0.0975	0.0975	0.1413	0.2225	0.2600
65 & 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 July 1	Premium Increase	Effective July 1	Premium Increase
2012	9.50%	2017	7.00%
2013	9.00%	2018	6.50%
2014	8.50%	2019	6.00%
2015	8.00%	2020	5.50%
2016	7.50%	2021 & Later	5.00%

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

Medicare Eligibility

All individuals are assumed to be eligible for Medicare Parts A and B at age 65.

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 through retirement until death.

Spouse Coverage

Current 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 be maintained 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 Children	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.

Changes Since the Prior Valuation:

Discount rates	*Funded rate*: decreased from 7.75% to 7.5%
Demographic Assumptions	Rates of mortality, termination, and retirement were updated from the CalPERS 2002 experience study rates to the CalPERS 2007 experience study rates.
Healthcare Trend	Medical plan premium rates are assumed to increase at somewhat higher rates than were assumed in the prior valuation. Please refer to the 2009 report to compare the changes by year. Future increases in the MEC were reduced to a level 4.5% per year.
Retiree Participation	The percentage of future retirees assumed to elect coverage in retirement who are covered by the CalPERS medical program and qualify only for the minimum PEMHCA benefit was reduced from 65% to 50%.
Spouse Coverage	The percentage of retirees assumed to cover a spouse in retirement was increased from 68% to 76.5%.
Dependent Coverage	An explicit assumption was added for the coverage of dependent children of retirees who qualify for subsidized dependent benefits.
Disability Benefits	A specific liability was included for benefits provided to disability retirees.

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	
2011	1,476,267	-	1,476,267	353,185	-	353,185	1,829,452
2012	1,556,821	95,451	1,652,272	369,078	17,730	386,808	2,039,080
2013	1,668,619	219,199	1,887,818	420,478	42,012	462,490	2,350,308
2014	1,750,576	347,033	2,097,609	442,701	70,171	512,872	2,610,481
2015	1,859,746	494,106	2,353,852	489,533	102,071	591,604	2,945,456
2016	1,955,017	643,580	2,598,597	528,221	143,466	671,687	3,270,284
2017	2,054,521	807,516	2,862,037	527,588	185,470	713,058	3,575,095
2018	2,132,900	977,198	3,110,098	574,542	237,865	812,407	3,922,505
2019	2,197,439	1,146,602	3,344,041	621,767	298,986	920,753	4,264,794
2020	2,256,390	1,336,232	3,592,622	651,110	369,736	1,020,846	4,613,468

Appendix 1
Comparison of Pay-As-You-Go vs. Prefunding
For the Fiscal Year Ending June 30, 2012

The exhibit below compares the valuation results for the fiscal year ending June 30, 2012:

- Column 1 presents the pay-as-you-go funding results, with level percentage of payroll amortization. The results match those in column 3 of Tables 1A.
- Column 2 shows prefunding results with the same amortization approach as above.

Funding Approach	**Pay-As-You-Go**	**Prefunding**
For fiscal year beginning	**7/1/2011**	**7/1/2011**
For fiscal year ending	**6/30/2012**	**6/30/2012**
Interest Rate	4.50%	7.50%
Number of Covered Employees		
Actives	378	378
Retirees	146	146
Total Participants	524	524
Actuarial Present Value of Projected Benefits (APVPB)		
Actives	$ 81,839,259	$ 42,072,906
Retirees	51,433,035	36,464,679
Total APVPB	133,272,294	78,537,585
Actuarial Accrued Liability (AAL)		
Actives	53,455,514	31,760,745
Retirees	51,433,035	36,464,679
Total AAL	104,888,549	68,225,423
Actuarial Value of Assets	-	-
Unfunded AAL (UAAL)	104,888,549	68,225,423
Amortization Factor (27 years, level % of pay)	23.1915	16.7823

Annual Required Contribution (ARC)		
Normal Cost	$ 2,614,743	$ 1,129,280
Amortization of UAAL	4,522,716	4,065,322
Interest to fiscal year end	-	-
ARC determined at fiscal year end	7,137,459	5,194,602

Net OPEB Obligation at beginning of year	$ 14,988,797	$ 14,988,797
Plus Interest on Net OPEB Obligation	674,496	1,124,160
Plus **ARC**	7,137,459	5,194,602
Plus ARC Adjustment	(675,389)	(960,116)
Less **Expected Net Employer Contribution**		
Expected payments for retirees FYE	(2,039,080)	(2,039,080)
Expected contribution to OPEB trust	-	(3,155,522)
Expected Net OPEB Obligation at year end	20,086,283	15,152,841

Appendix 2
Breakout of Valuation Results by Subsidy and by Group
For the Fiscal Year Ended June 30, 2011

The exhibits beginning on the following pages break out the valuation results for the fiscal year ending June 30, 2011. Results are first presented for the plan as a whole and then on subsequent pages separated by employment group.

- Column 1 presents the explicit results (City-paid subsidy).
- Column 2 presents the implicit results (excess of expected claims over expected premiums).
- Column 3 is a sum of columns 1 and 2. The column 3 entry for Appendix 2 totals matches column 2 of Table 1A.

In developing the annual OPEB expense and net OPEB obligation in these exhibits, after discussion with the City, we made assumptions regarding:

1. The allocation of the net OPEB obligation as of June 30, 2010 between employment groups and between the explicit and implicit liability. This allocation was developed based on the ratio of the group's explicit and implicit AAL relative to the total explicit and implicit AAL.
2. The allocation of the contributions between employment groups. Actual City benefits paid for retirees (explicit benefits) were allocated between employment groups based on the ratio of expected benefit payments for each group relative to the expected benefit payments for the City as a whole. The current year's implicit subsidy credit for each group was calculated by BRS and actual amounts were known by group.

Appendix 2
(Continued)

Group	All		
Approach	Pay-As-You-Go		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	317	288	378
Retirees	135	99	146
Total Participants	452	387	524
Actuarial Present Value of Projected Benefits			
Actives (participating)	62,678,371	15,636,709	78,315,080
Retirees	38,753,080	12,215,807	50,968,887
Total APVPB	101,431,451	27,852,516	129,283,967
Actuarial Accrued Liability			
Actives (participating)	39,279,212	9,341,951	48,621,163
Retirees	38,753,080	12,215,807	50,968,887
Total AAL	78,032,292	21,557,758	99,590,050
Actuarial Value of Assets	0	0	0
Unfunded Actuarial Accrued Liability	78,032,292	21,557,758	99,590,050
Amortization Factor			
Annual Required Contribution (ARC)			
Normal Cost	1,999,998	532,441	2,532,439
Amortization of UAAL	3,263,026	901,467	4,164,493
Interest to 06/30/11	0	0	0
ARC for Fiscal Year End 06/30/11	5,263,024	1,433,908	6,696,932
Net OPEB Obligation at 07/01/10	7,920,095	2,188,062	10,108,157
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	356,404	98,463	454,867
b. **ARC for Fiscal Year End 06/30/11**	5,263,024	1,433,908	6,696,932
c. Arc Adjustment	(346,093)	(95,614)	(441,707)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	5,273,335	1,436,757	6,710,092
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	1,476,267	0	1,476,267
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	0	353,185	353,185
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	3,797,068	1,083,572	4,880,640
Expected net OPEB obligation at 6/30/11	11,717,163	3,271,634	14,988,797

Appendix 2
(Continued)

Group	Elected Officials		
Approach	**Pay-As-You-Go**		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	4	-	4
Retirees	1	-	1
Total Participants	5	-	5
Actuarial Present Value of Projected Benefits			
Actives (participating)	272,171	-	272,171
Retirees	103,932	-	103,932
Total APVPB	376,103	-	376,103
Actuarial Accrued Liability			
Actives (participating)	145,917	-	145,917
Retirees	103,932	-	103,932
Total AAL	249,849	-	249,849
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	249,849	-	249,849
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	16,429	-	16,429
Amortization of UAAL	10,448	-	10,448
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	26,877	-	26,877
Net OPEB Obligation at 07/01/10	25,359	0	25,359
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	1,141	0	1,141
b. **ARC for Fiscal Year End 06/30/11**	26,877	0	26,877
c. Arc Adjustment	(1,108)	0	(1,108)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	26,910	0	26,910
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	3,853	N/A	3,853
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	0	0
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	23,057	0	23,057
Expected net OPEB obligation at 6/30/11	48,416	0	48,416

Appendix 2 (Continued)

Group	Exempt		
Approach	**Pay-As-You-Go**		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	20	-	20
Retirees	19	-	19
Total Participants	39	-	39
Actuarial Present Value of Projected Benefits			
Actives (participating)	1,904,394	-	1,904,394
Retirees	4,473,249	-	4,473,249
Total APVPB	6,377,643	-	6,377,643
Actuarial Accrued Liability			
Actives (participating)	1,359,008	-	1,359,008
Retirees	4,473,249	-	4,473,249
Total AAL	5,832,257	-	5,832,257
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	5,832,257	-	5,832,257
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	67,673	-	67,673
Amortization of UAAL	243,884	-	243,884
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	311,557	-	311,557
Net OPEB Obligation at 07/01/10	591,960	0	591,960
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	26,638	0	26,638
b. **ARC for Fiscal Year End 06/30/11**	311,557	0	311,557
c. Arc Adjustment	(25,868)	0	(25,868)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	312,327	0	312,327
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	215,038	N/A	215,038
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	0	0
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	97,289	0	97,289
Expected net OPEB obligation at 6/30/11	689,249	0	689,249

Appendix 2
(Continued)

Group	General		
Approach	Pay-As-You-Go		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	109	154	159
Retirees	32	35	35
Total Participants	141	189	194
Actuarial Present Value of Projected Benefits			
Actives (participating)	23,730,056	3,270,822	27,000,878
Retirees	9,887,138	1,591,096	11,478,234
Total APVPB	33,617,194	4,861,918	38,479,112
Actuarial Accrued Liability			
Actives (participating)	15,219,818	2,042,091	17,261,909
Retirees	9,887,138	1,591,096	11,478,234
Total AAL	25,106,956	3,633,187	28,740,143
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	25,106,956	3,633,187	28,740,143
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	716,625	113,653	830,278
Amortization of UAAL	1,049,881	151,927	1,201,808
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	1,766,506	265,580	2,032,086
Net OPEB Obligation at 07/01/10	2,548,298	368,760	2,917,058
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	114,674	16,594	131,268
b. **ARC for Fiscal Year End 06/30/11**	1,766,506	265,580	2,032,086
c. Arc Adjustment	(111,356)	(16,114)	(127,470)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	1,769,824	266,060	2,035,884
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	337,561	N/A	337,561
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	123,367	123,367
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	1,432,263	142,693	1,574,956
Expected net OPEB obligation at 6/30/11	3,980,561	511,453	4,492,014

Appendix 2
(Continued)

Group	Management		
Approach	Pay-As-You-Go		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	61	-	61
Retirees	27	-	27
Total Participants	88	-	88
Actuarial Present Value of Projected Benefits			
Actives (participating)	4,320,631	-	4,320,631
Retirees	4,410,573	-	4,410,573
Total APVPB	8,731,204	-	8,731,204
Actuarial Accrued Liability			
Actives (participating)	3,062,878	-	3,062,878
Retirees	4,410,573	-	4,410,573
Total AAL	7,473,451	-	7,473,451
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	7,473,451	-	7,473,451
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	122,951	-	122,951
Amortization of UAAL	312,512	-	312,512
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	435,463	-	435,463
Net OPEB Obligation at 07/01/10	758,538	0	758,538
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	34,134	0	34,134
b. **ARC for Fiscal Year End 06/30/11**	435,463	0	435,463
c. Arc Adjustment	(33,147)	0	(33,147)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	436,450	0	436,450
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	192,255	N/A	192,255
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	0	0
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	244,195	0	244,195
Expected net OPEB obligation at 6/30/11	1,002,733	0	1,002,733

Appendix 2
(Continued)

Group	Police Management		
Approach	**Pay-As-You-Go**		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	4	4	4
Retirees	6	6	6
Total Participants	10	10	10
Actuarial Present Value of Projected Benefits			
Actives (participating)	1,418,334	537,989	1,956,323
Retirees	2,004,265	1,018,565	3,022,830
Total APVPB	3,422,599	1,556,554	4,979,153
Actuarial Accrued Liability			
Actives (participating)	1,179,192	457,282	1,636,474
Retirees	2,004,265	1,018,565	3,022,830
Total AAL	3,183,457	1,475,847	4,659,304
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	3,183,457	1,475,847	4,659,304
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	34,426	11,867	46,293
Amortization of UAAL	133,121	61,715	194,836
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	167,547	73,582	241,129
Net OPEB Obligation at 07/01/10	323,113	149,795	472,908
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	14,540	6,741	21,281
b. **ARC for Fiscal Year End 06/30/11**	167,547	73,582	241,129
c. Arc Adjustment	(14,119)	(6,546)	(20,665)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	167,968	73,777	241,745
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	85,438	N/A	85,438
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	31,002	31,002
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	82,530	42,775	125,305
Expected net OPEB obligation at 6/30/11	405,643	192,570	598,213

Appendix 2
(Continued)

Group	**Police Safetly**		
Approach	**Pay-As-You-Go**		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	61	79	79
Retirees	27	32	32
Total Participants	88	111	111
Actuarial Present Value of Projected Benefits			
Actives (participating)	18,436,757	7,048,590	25,485,347
Retirees	9,624,807	5,238,433	14,863,240
Total APVPB	28,061,564	12,287,023	40,348,587
Actuarial Accrued Liability			
Actives (participating)	10,113,410	3,805,547	13,918,957
Retirees	9,624,807	5,238,433	14,863,240
Total AAL	19,738,217	9,043,980	28,782,197
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	19,738,217	9,043,980	28,782,197
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	657,627	256,931	914,558
Amortization of UAAL	825,380	378,186	1,203,566
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	1,483,007	635,117	2,118,124
Net OPEB Obligation at 07/01/10	2,003,383	917,943	2,921,326
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	90,152	41,307	131,459
b. **ARC for Fiscal Year End 06/30/11**	1,483,007	635,117	2,118,124
c. Arc Adjustment	(87,544)	(40,112)	(127,656)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	1,485,615	636,312	2,121,927
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	351,110	N/A	351,110
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	117,605	117,605
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	1,134,505	518,707	1,653,212
Expected net OPEB obligation at 6/30/11	3,137,888	1,436,650	4,574,538

Appendix 2
(Continued)

Group	Fire Management		
Approach	**Pay-As-You-Go**		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	25	18	18
Retirees	7	7	7
Total Participants	32	25	25
Actuarial Present Value of Projected Benefits			
Actives (participating)	5,974,544	2,182,686	8,157,230
Retirees	2,720,410	1,217,110	3,937,520
Total APVPB	8,694,954	3,399,796	12,094,750
Actuarial Accrued Liability			
Actives (participating)	4,332,028	1,596,917	5,928,945
Retirees	2,720,410	1,217,110	3,937,520
Total AAL	7,052,438	2,814,027	9,866,465
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	7,052,438	2,814,027	9,866,465
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	160,341	58,224	218,565
Amortization of UAAL	294,907	117,672	412,579
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	455,248	175,896	631,144
Net OPEB Obligation at 07/01/10	715,806	285,617	1,001,423
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	32,211	12,853	45,064
b. **ARC for Fiscal Year End 06/30/11**	455,248	175,896	631,144
c. Arc Adjustment	(31,279)	(12,481)	(43,760)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	456,180	176,268	632,448
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	92,776	N/A	92,776
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	23,430	23,430
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	363,404	152,838	516,242
Expected net OPEB obligation at 6/30/11	1,079,210	438,455	1,517,665

Appendix 2
(Concluded)

Group	Fire Safety		
Approach	**Pay-As-You-Go**		
Subsidy	Explicit	Implicit	Total
Interest Rate	4.50%	4.50%	4.50%
Amortization method	Level % of Payroll		
Amortization period (in years)	28	28	28
Participants in Group			
Actives (participating)	33	33	33
Retirees	16	19	19
Total Participants	49	52	52
Actuarial Present Value of Projected Benefits			
Actives (participating)	6,621,484	2,596,622	9,218,106
Retirees	5,528,706	3,150,603	8,679,309
Total APVPB	12,150,190	5,747,225	17,897,415
Actuarial Accrued Liability			
Actives (participating)	3,866,961	1,440,114	5,307,075
Retirees	5,528,706	3,150,603	8,679,309
Total AAL	9,395,667	4,590,717	13,986,384
Actuarial Value of Assets	-	-	-
Unfunded Actuarial Accrued Liability	9,395,667	4,590,717	13,986,384
Amortization Factor	23.9141	23.9141	23.9141
Annual Required Contribution (ARC)			
Normal Cost	223,926	91,766	315,692
Amortization of UAAL	392,893	191,967	584,860
Interest to 06/30/11	-	-	-
ARC for Fiscal Year End 06/30/11	616,819	283,733	900,552
Net OPEB Obligation at 07/01/10	953,638	465,947	1,419,585
1. Calculation of Annual OPEB Expense			
a. Interest on Net OPEB Obligation	42,914	20,968	63,882
b. **ARC for Fiscal Year End 06/30/11**	616,819	283,733	900,552
c. Arc Adjustment	(41,672)	(20,361)	(62,033)
d. Annual OPEB Expense (1.a.+1.b.+1.c.)	618,061	284,340	902,401
2. Expected Net Employer Contribution			
a. Current Year's Expected Benefit Payments	198,236	N/A	198,236
b. Contribution to OPEB trust	0	0	0
c. Current Year's Implicit Subsidy	N/A	57,781	57,781
Change in net OPEB obligation (1.d. -2.a.-2.b.-2.c.)	419,825	226,559	646,384
Expected net OPEB obligation at 6/30/11	1,373,463	692,506	2,065,969

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