



CITY OF REEDLEY
RETIREE HEALTHCARE PLAN

June 30, 2015 GASB 45 Actuarial Valuation
Final Results

BARTEL
ASSOCIATES, LLC

Presented by **Mary Beth Redding, Vice President & Actuary**
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Bartel Associates, LLC

December 28, 2015

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BENEFIT SUMMARY

| | |
|----------------------|--|
| <p>■ Eligibility</p> | <p>■ Retire directly from the City under CalPERS with 10 years City service</p> <ul style="list-style-type: none">• 10 years not required for active with Tier 1 benefits;• Future disability retirements assumed to require 10 years City service |
| <p>■ Tiers</p> | <p>■ Tier 1:</p> <ul style="list-style-type: none">• Current retirees age 55 before 10/24/2013 and;• Current actives \geq age 55 at retirement and retiring $<$ 12/31/2016 <p>■ Tier 2:</p> <ul style="list-style-type: none">• Current actives \geq age 55 at retirement and retiring \geq 1/1/2017 <p>■ Tier 3:</p> <ul style="list-style-type: none">• Current actives hired or first becoming full time \geq 1/1/14 (not eligible for any City-paid retiree medical benefits) |



BENEFIT SUMMARY

■ Benefits
Effective
1/1/14

- Retiree pre-Medicare benefit:
 - Tier 1: Up to active contribution¹
 - Tier 2 with 10 years City service: Smaller of 50% of retiree premium or active contribution
 - Tier 2 with 20 years City service: Smaller of 80% of retiree premium or active contribution
- Dependent pre-Medicare benefit:
 - Tier 1: Up to \$500 per month total for all dependents
 - Tier 2: Up to \$250 per month for only one dependent
- Retiree and one dependent post-Medicare benefit:
 - Tier 1: 100% of City Medicare Supplement premium (less \$10 per month if outside of City plans: “Freedom of Choice”)
 - Tier 2 with 10 years City service: Smaller of 50% of City Medicare Supplement premium or active contribution
 - Tier 2 with 20 years City service: Smaller of 80% of City Medicare Supplement premium or active contribution

¹ \$539.22, \$1,039.22, & \$1,039.22 for single, 2-party, & family coverage, respectively in 2015.



BENEFIT SUMMARY

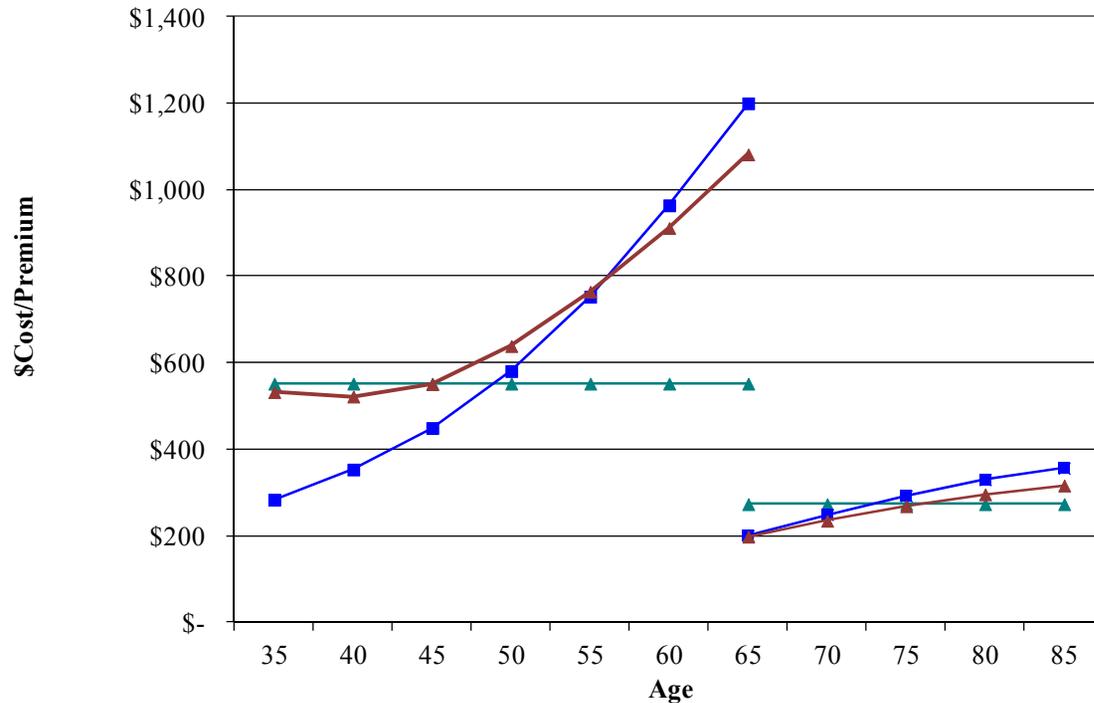
■ Other OPEB

■ No City contribution for retiree dental, vision, life insurance, or Medicare Part B reimbursement

■ Implied Subsidy

■ Employer cost for allowing retirees to participate at active premium rates
 ■ Active employee premiums subsidize retiree cost

SJVIA Anthem HMO Plan - Single Coverage



■ GASB 45 includes active “implied subsidy” with retiree cost
 ■ Implied subsidy for Medicare premiums valued separately



BENEFIT SUMMARY

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PREMIUMS

Monthly Active & Pre-65 Retiree Premiums²

| Medical Plan | 2015 | | |
|------------------|----------|------------|------------|
| | Single | 2-Party | Family |
| SJVIA Anthem HMO | \$521.61 | \$1,042.22 | \$1,354.79 |
| SJVIA Anthem PPO | 556.82 | 1,112.64 | 1,446.34 |
| SJVIA Kaiser HMO | 646.38 | 1,275.81 | 1,653.67 |

² Effective January 1st, 2015.



PREMIUMS

Monthly Post-65 Retiree Premiums³

| Medical Plan | 2015 | | |
|--------------------------------|----------|----------|------------|
| | Single | 2-Party | Family |
| Humana and SJVIA Anthem HMO | \$272.19 | \$544.38 | \$1,065.99 |
| Humana and SJVIA Anthem PPO | 272.19 | 544.38 | 1,101.20 |
| Humana and SJVIA Kaiser HMO | 272.19 | 544.38 | 1,190.76 |
| Freedom of Choice ³ | 262.19 | 524.38 | n/a |

³ Effective January 1st, 2015.

³ City's Contribution.



PREMIUMS

Monthly Active & Pre-65 Retiree Premiums⁴

| Medical Plan | 2016 | | |
|------------------|----------|------------|------------|
| | Single | 2-Party | Family |
| SJVIA Anthem HMO | \$581.05 | \$1,161.10 | \$1,509.34 |
| SJVIA Anthem PPO | 583.42 | 1,165.84 | 1,515.50 |
| SJVIA Kaiser HMO | 694.15 | 1,371.36 | 1,777.88 |

⁴ Effective January 1st, 2016.



PREMIUMS

Monthly Post-65 Retiree Premiums⁵

| Medical Plan | 2016 | | |
|--------------------------------|----------|----------|------------|
| | Single | 2-Party | Family |
| Hartford and SJVIA Anthem HMO | \$297.90 | \$595.80 | \$1,176.85 |
| Hartford and SJVIA Anthem PPO | 297.90 | 595.80 | 1,179.85 |
| Hartford and SJVIA Kaiser HMO | 297.90 | 595.80 | 1,289.95 |
| Freedom of Choice ³ | 287.90 | 575.80 | n/a |

⁵ Effective January 1st, 2016.

³ City's Contribution.



PARTICIPANT STATISTICS

Participant Statistics - Actives

| | Miscellaneous | Fire | Police | Total |
|------------------------|---------------|-----------|-----------|-----------|
| ■ Count | 84 | 2 | 27 | 113 |
| ■ Average: | | | | |
| • Age | 44.9 | 53.0 | 36.3 | 43.0 |
| • City Service | 9.8 | 7.3 | 8.7 | 9.5 |
| • Entry Age | 33.6 | 39.6 | 26.2 | 32.0 |
| • Salary | \$ 46,500 | \$ 84,700 | \$ 59,900 | \$ 50,400 |
| ■ Total Salary (000's) | 3,908 | 169 | 1,618 | 5,696 |



PARTICIPANT STATISTICS

Participant Statistics - Actives

| | Potential Tier 1 | Tier 2 | Tier 3 | Total |
|------------------------|------------------|-----------|-----------|-----------|
| ■ Count | 22 | 78 | 13 | 113 |
| ■ Average: | | | | |
| • Age | 57.4 | 39.5 | 39.5 | 43.0 |
| • City Service | 17.6 | 8.7 | 0.8 | 9.5 |
| • Entry Age | 38.2 | 29.5 | 36.3 | 32.0 |
| • Salary | \$ 47,700 | \$ 54,300 | \$ 31,400 | \$ 50,400 |
| ■ Total Salary (000's) | 1,049 | 4,238 | 408 | 5,696 |



PARTICIPANT STATISTICS

Participant Statistics – Retirees (All Tier 1)

| | Miscellaneous | Fire | Police | Total |
|---------------------------|---------------|----------|----------|----------|
| ■ Count | | | | |
| ● Retired | 27 | - | 1 | 28 |
| ● Disabled | 1 | - | 2 | 3 |
| ● Survivor | <u>4</u> | <u>-</u> | <u>-</u> | <u>4</u> |
| ● Total | 32 | - | 3 | 35 |
| ■ Average: | | | | |
| ● Age | 72.4 | N/A | 68.8 | 72.1 |
| ● Service Retirement Age | 62.0 | N/A | 55.9 | 61.8 |
| ● Disabled Retirement Age | 46.8 | N/A | 47.9 | 47.5 |



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

| | June 30, 2015 Valuation | | |
|---------------------|--|---------------------|-----------------|
| ■ Valuation Date | <ul style="list-style-type: none"> ■ June 30, 2015 ■ Fiscal Years 2015/16 & 2016/17 | | |
| ■ Funding Policy | ■ Pay-Go + 15% of Cash Benefit Payments contributed to CERBT annually (Option 1) | | |
| ■ General Inflation | ■ 3.00% | | |
| ■ Discount Rate | <ul style="list-style-type: none"> ■ 4.50% ■ 7.25% – sensitivity for full pre-funding | | |
| ■ Medical Trend | <u>Calendar Year</u> | <u>Non-Medicare</u> | <u>Medicare</u> |
| | 2015 | Premiums/Claims | |
| | 2016 | Premiums/Claims | |
| | 2017 | 7.0% | 7.2% |
| | 2018 | 6.5% | 6.7% |
| | 2019 | 6.0% | 6.1% |
| | 2020 | 5.5% | 5.6% |
| | 2021+ | 5.0% | 5.0% |
| ■ Cap Increases | <ul style="list-style-type: none"> ■ Unrepresented active employee contribution: medical trend ■ Dollar caps for Dependents: 3.00% | | |

ACTUARIAL ASSUMPTIONS HIGHLIGHTS

| | June 30, 2015 Valuation | | | | | | | | | | | | | | | | | | | | |
|--|---|-------------|---------------|-------------|---------------|---------|-------|-------|-------|-----|------|------|------|-------|---------|---------|---------|-----|------|-----|------|
| <ul style="list-style-type: none"> ■ Retirement, Mortality, Termination, Disability | <ul style="list-style-type: none"> ■ CalPERS 1997-2011 Experience Study⁶ <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Misc</u></th> <th style="text-align: center;"><u>Fire</u></th> <th style="text-align: center;"><u>Police</u></th> </tr> </thead> <tbody> <tr> <td>Classic</td> <td style="text-align: center;">2%@55</td> <td style="text-align: center;">3%@55</td> <td style="text-align: center;">3%@55</td> </tr> <tr> <td>ERA</td> <td style="text-align: center;">59.5</td> <td style="text-align: center;">60.2</td> <td style="text-align: center;">55.4</td> </tr> <tr> <td>PEPRA</td> <td style="text-align: center;">2.5%@67</td> <td style="text-align: center;">2.7%@57</td> <td style="text-align: center;">2.7%@57</td> </tr> <tr> <td>ERA</td> <td style="text-align: center;">60.9</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">56.8</td> </tr> </tbody> </table> ■ Mortality Improvement Scale MP-2014 with 15-year convergence to ultimate mortality improvement rates in 2022 | | <u>Misc</u> | <u>Fire</u> | <u>Police</u> | Classic | 2%@55 | 3%@55 | 3%@55 | ERA | 59.5 | 60.2 | 55.4 | PEPRA | 2.5%@67 | 2.7%@57 | 2.7%@57 | ERA | 60.9 | N/A | 56.8 |
| | <u>Misc</u> | <u>Fire</u> | <u>Police</u> | | | | | | | | | | | | | | | | | | |
| Classic | 2%@55 | 3%@55 | 3%@55 | | | | | | | | | | | | | | | | | | |
| ERA | 59.5 | 60.2 | 55.4 | | | | | | | | | | | | | | | | | | |
| PEPRA | 2.5%@67 | 2.7%@57 | 2.7%@57 | | | | | | | | | | | | | | | | | | |
| ERA | 60.9 | N/A | 56.8 | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Participation at Retirement | <ul style="list-style-type: none"> ■ Currently covered actives: 90% ■ Currently waived actives: 80% | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Medical Plan at Retirement | <ul style="list-style-type: none"> ■ Based on election by current retirees ■ 50% with dependent | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Waived Retiree Re-Elections | <ul style="list-style-type: none"> ■ None | | | | | | | | | | | | | | | | | | | | |

⁶ PEPRA formulas effective for new members hired into the CalPERS system after 1/1/13.



ACTUARIAL METHODS

| Method | June 30, 2015 Valuation |
|-----------------------------------|--|
| ■ Cost Method | ■ Entry Age Normal |
| ■ Amortization Method | ■ Level dollar (frozen plan) |
| ■ Unfunded Liability Amortization | <ul style="list-style-type: none"> ■ 28 years (closed period) fresh start on 6/30/15 UAAL ■ 15 years (closed period) for method, assumption, and plan changes, and gains and losses ■ Maximum 30-year combined period |
| ■ Actuarial Value of Assets | ■ No assets at 6/30/2015 |



RESULTS

Actuarial Obligations

June 30, 2015

(Amounts in 000's)

| | 6/30/13 | 6/30/15 |
|--------------------------------------|--------------|--------------|
| ■ Present Value of Benefits | | |
| • Actives | \$ 19,165 | \$ 11,993 |
| • Retirees | <u>5,933</u> | <u>4,474</u> |
| • Total | 25,098 | 16,467 |
| ■ Actuarial Accrued Liability | | |
| • Actives | 8,491 | 6,345 |
| • Retirees | <u>5,933</u> | <u>4,474</u> |
| • Total | 14,424 | 10,819 |
| ■ Actuarial Value of Assets | <u>-</u> | <u>-</u> |
| ■ Unfunded AAL | 14,424 | 10,819 |
| ■ Normal Cost | 907 | 546 |
| ■ Pay-As-You-Go Cost – Cash | 113 | 230 |
| ■ Pay-As-You-Go Cost – IS | 23 | 61 |



RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

| | 2015/16 | 2016/17 |
|--|--------------------------------|--------------------------------|
| ■ ARC - \$ <ul style="list-style-type: none"> • Normal Cost • UAAL Amortization • Total | \$ 546 <u>687</u> 1,233 | \$ 531 <u>771</u> 1,301 |
| ■ Projected Covered Payroll | 5,232 | 5,153 |
| ■ ARC - % Covered Pay <ul style="list-style-type: none"> • Normal Cost • UAAL Amortization • Total | 10.4% <u>13.1%</u> 23.6% | 10.3% <u>15.0%</u> 25.2% |



RESULTS

Amortization Bases

(Amounts in 000's)

| | 6/30/15 | 6/30/16 |
|------------------------------|--------------------|------------------|
| ■ Outstanding Balance | | |
| • Fresh Start | \$ 10,819 | \$ 10,618 |
| • Contributions < ARC | <u> -</u> | <u> 897</u> |
| • Total | 10,819 | 11,515 |

RESULTS

Amortization Payments

(Amounts in 000's)

| | 2015/16 | 2016/17 |
|---------------------------------------|----------|-----------|
| ■ Amortization Payment | | |
| • Fresh Start | \$ 687 | \$ 687 |
| • Contributions < ARC ⁷ | <u>-</u> | <u>84</u> |
| • Total | 687 | 771 |
| • Average Amortization Period - years | 28.0 | 25.3 |

⁷ Amortized over closed 15-year period beginning on initial recognition



RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in 000's)

| | CAFR 2013/14 | Estimate 2014/15 | Estimate 2015/16 | Estimate 2016/17 |
|---|-----------------|---------------------|---------------------|---------------------|
| ■ NOO at Beginning of Year | \$ - | \$ 1,561 | \$ 3,060 | \$ 3,900 |
| ■ Annual OPEB Cost | | | | |
| • Annual Required Contribution | 1,741 | 1,869 | 1,233 | 1,301 |
| • Interest on NOO | - | 62 | 138 | 176 |
| • NOO Adjustment | - | (140) | (194) | (278) |
| • Annual OPEB Cost | 1,741 | 1,791 | 1,177 | 1,199 |
| ■ Contributions | | | | |
| • Benefit Paym. Outside Trust ⁸ - Cash | 157 | 221 | 230 | 262 |
| • Benefit Paym. Outside Trust - IS | 23 | 71 | 61 | 74 |
| • Trust Funding | - | - | 46 | 50 |
| • Total Contributions | 180 | 292 | 337 | 386 |
| ■ NOO at End of Year | 1,561 | 3,060 | 3,900 | 4,713 |

⁸ Estimated cash payments shown. Actual total benefit payments should be used for OPEB footnote.



RESULTS

10-Year Projection of Benefit Payments

(Amounts in 000's)

| Fiscal Year End | Cash Benefit Payments | Implied Subsidy Benefit Payments | Total Benefit Payments |
|--------------------------------|--------------------------------------|---|---------------------------------------|
| 2016 | \$ 230 | \$ 61 | \$ 291 |
| 2017 | 262 | 74 | 336 |
| 2018 | 276 | 91 | 367 |
| 2019 | 299 | 125 | 424 |
| 2020 | 316 | 152 | 468 |
| 2021 | 322 | 126 | 448 |
| 2022 | 337 | 135 | 472 |
| 2023 | 363 | 176 | 539 |
| 2024 | 383 | 186 | 569 |
| 2025 | 396 | 159 | 555 |



RESULTS

Actuarial Obligations

June 30, 2015

(Amounts in 000's)

| | Cash Subsidy | Implied Subsidy | Total Cost |
|---|-----------------|--------------------|--------------|
| ■ Present Value of Benefits | | | |
| • Actives | \$ 8,697 | \$ 3,295 | \$ 11,993 |
| • Retirees | <u>3,873</u> | <u>601</u> | <u>4,474</u> |
| • Total | 12,570 | 3,896 | 16,467 |
| ■ Actuarial Accrued Liability | | | |
| • Actives | 4,650 | 1,694 | 6,345 |
| • Retirees | <u>3,873</u> | <u>601</u> | <u>4,474</u> |
| • Total | 8,523 | 2,295 | 10,819 |
| ■ Actuarial Value of Assets | - | - | - |
| ■ Unfunded Actuarial Accrued Liability | 8,523 | 2,295 | 10,819 |
| ■ Normal Cost | 394 | 150 | 544 |
| ■ Pay-As-You-Go Cost | 230 | 61 | 291 |



RESULTS

Discount Rate Sensitivity

(Amounts in 000's)

| June 30, 2015 | 4.50% | 7.25% |
|---|-----------|----------|
| ■ Present Value of Benefits | \$ 16,467 | \$ 9,436 |
| ■ Actuarial Accrued Liability | 10,819 | 7,205 |
| ■ Actuarial Value of Assets | — | — |
| ■ Unfunded AAL | 10,819 | 7,205 |
| ■ ARC - \$ (Fiscal Year 2015/16) | | |
| • Normal Cost | 546 | 280 |
| • UAAL Amortization | 687 | 608 |
| • Total ARC | 1,233 | 888 |
| ■ ARC - % | 23.6% | 17.0% |

ACTUARIAL CERTIFICATION

This report presents the City of Reedley Retiree Healthcare Plan (“Plan”) June 30, 2015 actuarial valuation. The purpose of this valuation is to:

- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2015 Benefit Obligations,
- Determine the Plan’s June 30, 2015 Funded Status, and
- Calculate the 2015/16 and 2016/17 Annual Required Contributions.

The report provides information intended for reporting under GASB 43 and 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the Plan’s financial management. Future valuations may differ significantly if the Plan’s experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

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

To the best of my knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in my opinion, actuarial methods and assumptions comply with GASB 43 and 45. As a member of the American Academy of Actuaries meeting the Academy Qualification Standards, I certify the actuarial results and opinions herein.

Respectfully submitted,



Mary Elizabeth Redding, FSA, MAAA, EA
Vice President
Bartel Associates, LLC
December 28, 2015



EXHIBITS

| <u>Topic</u> | <u>Page</u> |
|-----------------------|-------------|
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| Actuarial Assumptions | E- 8 |
| Definitions | E-10 |

DATA SUMMARY

Current Retiree Medical Coverage Pre 65

| Plan | Single | 2-Party | Family | Total |
|---------------------|--------|---------|--------|-------|
| SJVIA Anthem HMO | 3 | 2 | - | 5 |
| SJVIA Anthem PPO | 1 | 1 | - | 2 |
| SJVIA Kaiser HMO | 1 | 1 | - | 2 |
| Humana ⁹ | - | - | - | - |
| Waived | - | - | - | - |
| Total | 5 | 4 | - | 9 |

⁹ Two pre-65 disabled retirees in Medicare plans.



DATA SUMMARY

Current Retiree Medical Coverage Post 65

| Plan | Single | 2-Party | Family | Total |
|-------------------|--------|---------|--------|-------|
| Humana | 8 | 13 | 2 | 23 |
| Freedom of Choice | 1 | 2 | - | 3 |
| Waived | - | - | - | - |
| Total | 9 | 15 | 2 | 26 |



DATA SUMMARY

Covered Retiree Medical Plan Coverage by Age Miscellaneous

| Age | Medical Coverage | | | |
|-------------|------------------|---------|--------|-------|
| | Single | 2-Party | Family | Total |
| Under 50 | - | - | - | - |
| 50-54 | - | - | - | - |
| 55-59 | - | 1 | - | 1 |
| 60-64 | 4 | 2 | - | 6 |
| 65-69 | 2 | 6 | 2 | 10 |
| 70-74 | 1 | 3 | - | 4 |
| 75-80 | 2 | 2 | - | 4 |
| 80-85 | 3 | 1 | - | 4 |
| 85 & Over | 2 | 1 | - | 3 |
| Total | 14 | 16 | 2 | 32 |
| Average Age | 74.5 | 70.9 | 69.7 | 72.4 |



DATA SUMMARY

Covered Retiree Medical Plan Coverage by Age Safety

| Age | Medical Coverage | | | |
|-------------|------------------|---------|--------|-------|
| | Single | 2-Party | Family | Total |
| Under 50 | - | - | - | - |
| 50-54 | - | - | - | - |
| 55-59 | 1 | - | - | 1 |
| 60-64 | - | - | - | - |
| 65-69 | - | - | - | - |
| 70-74 | - | 1 | - | 1 |
| 75-80 | - | 1 | - | 1 |
| 80-85 | - | - | - | - |
| 85 & Over | - | - | - | - |
| Total | 1 | 2 | - | 3 |
| Average Age | 59.7 | 73.3 | N/A | 68.8 |



DATA SUMMARY

Actives by Age and Service Miscellaneous

| Age | City Service | | | | | | | Total |
|--------------|--------------|-----------|-----------|-----------|----------|----------|----------|-----------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | - | 2 | - | - | - | - | - | 2 |
| 25-29 | 2 | 3 | 2 | - | - | - | - | 7 |
| 30-34 | 2 | 5 | 5 | 3 | - | - | - | 15 |
| 35-39 | - | 4 | 2 | 1 | - | - | - | 7 |
| 40-44 | 1 | 3 | 3 | 1 | 1 | - | - | 9 |
| 45-49 | 1 | 2 | 5 | 2 | 1 | - | - | 11 |
| 50-54 | 1 | 2 | - | 1 | 1 | 3 | 3 | 11 |
| 55-59 | - | 4 | 1 | 2 | 2 | 1 | 5 | 15 |
| 60-64 | - | 1 | 2 | 1 | 1 | 1 | - | 6 |
| ≥ 65 | - | - | 1 | - | - | - | - | 1 |
| Total | 7 | 26 | 21 | 11 | 6 | 5 | 8 | 84 |



DATA SUMMARY

Actives by Age and Service Safety

| Age | City Service | | | | | | | Total |
|--------------|--------------|----------|----------|----------|----------|----------|----------|-----------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 1 | - | - | - | - | - | - | 1 |
| 25-29 | - | 1 | 2 | - | - | - | - | 3 |
| 30-34 | - | 5 | 3 | 3 | - | - | - | 11 |
| 35-39 | - | 2 | 1 | 1 | - | - | - | 4 |
| 40-44 | - | 1 | 1 | 1 | 1 | - | - | 4 |
| 45-49 | - | - | 1 | - | 2 | - | 1 | 4 |
| 50-54 | - | - | - | - | 1 | - | - | 1 |
| 55-59 | - | - | 1 | - | - | - | - | 1 |
| 60-64 | - | - | - | - | - | - | - | - |
| ≥ 65 | - | - | - | - | - | - | - | - |
| Total | 1 | 9 | 9 | 5 | 4 | - | 1 | 29 |



DATA SUMMARY

Actives by Age and Service Total

| Age | City Service | | | | | | | Total |
|--------------|--------------|-----------|-----------|-----------|-----------|----------|----------|------------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 1 | 2 | - | - | - | - | - | 3 |
| 25-29 | 2 | 4 | 4 | - | - | - | - | 10 |
| 30-34 | 2 | 10 | 8 | 6 | - | - | - | 26 |
| 35-39 | - | 6 | 3 | 2 | - | - | - | 11 |
| 40-44 | 1 | 4 | 4 | 2 | 2 | - | - | 13 |
| 45-49 | 1 | 2 | 6 | 2 | 3 | - | 1 | 15 |
| 50-54 | 1 | 2 | - | 1 | 2 | 3 | 3 | 12 |
| 55-59 | - | 4 | 2 | 2 | 2 | 1 | 5 | 16 |
| 60-64 | - | 1 | 2 | 1 | 1 | 1 | - | 6 |
| ≥ 65 | - | - | 1 | - | - | - | - | 1 |
| Total | 8 | 35 | 30 | 16 | 10 | 5 | 9 | 113 |



ACTUARIAL ASSUMPTIONS

| | June 30, 2015 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|-----------------------|-------------------|----------|---------------|----------|--|--|--|-------------------|--|-------------------|--|---------------|--|------------|----------|----------|----------|----------|----------|----------|----|--------|--------|--------|--------|--------|--------|----|-----|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|-------|-------|-------------------|--|--|--|--|--|--|---------------|--|--|--|--|--|--|------------|----------|----------|--|--|--|--|----|--------|-------|--|--|--|--|----|-----|-----|--|--|--|--|----|-----|-----|--|--|--|--|----|-----|-----|--|--|--|--|----|-----|-----|--|--|--|--|
| <ul style="list-style-type: none"> ■ Payroll Increases | <ul style="list-style-type: none"> ■ 3.25% Aggregate increase ■ CalPERS 1997-2011 Experience Study for Merit and Longevity increases | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ 2015/16 Medical Claims Cost | <ul style="list-style-type: none"> ■ Sample monthly claims costs by age: <table style="margin-left: 40px; border-collapse: collapse; width: 80%;"> <thead> <tr> <th colspan="7" style="text-align: center; border-bottom: 1px solid black;">Non-Medicare Eligible</th> </tr> <tr> <th style="border-bottom: 1px solid black;"></th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;"><u>Anthem HMO</u></th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;"><u>Anthem PPO</u></th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;"><u>Kaiser</u></th> </tr> <tr> <th style="border-bottom: 1px solid black;"><u>Age</u></th> <th style="border-bottom: 1px solid black;"><u>M</u></th> <th style="border-bottom: 1px solid black;"><u>F</u></th> <th style="border-bottom: 1px solid black;"><u>M</u></th> <th style="border-bottom: 1px solid black;"><u>F</u></th> <th style="border-bottom: 1px solid black;"><u>M</u></th> <th style="border-bottom: 1px solid black;"><u>F</u></th> </tr> </thead> <tbody> <tr> <td>50</td> <td style="text-align: right;">\$ 596</td> <td style="text-align: right;">\$ 650</td> <td style="text-align: right;">\$ 654</td> <td style="text-align: right;">\$ 658</td> <td style="text-align: right;">\$ 715</td> <td style="text-align: right;">\$ 780</td> </tr> <tr> <td>55</td> <td style="text-align: right;">772</td> <td style="text-align: right;">778</td> <td style="text-align: right;">779</td> <td style="text-align: right;">752</td> <td style="text-align: right;">927</td> <td style="text-align: right;">933</td> </tr> <tr> <td>60</td> <td style="text-align: right;">987</td> <td style="text-align: right;">927</td> <td style="text-align: right;">935</td> <td style="text-align: right;">870</td> <td style="text-align: right;">1,185</td> <td style="text-align: right;">1,113</td> </tr> <tr> <th colspan="7" style="text-align: center; border-top: 1px solid black;">Medicare Eligible</th> </tr> <tr> <th colspan="7" style="text-align: center; border-bottom: 1px solid black;"><u>Humana</u></th> </tr> <tr> <th style="border-bottom: 1px solid black;"><u>Age</u></th> <th style="border-bottom: 1px solid black;"><u>M</u></th> <th style="border-bottom: 1px solid black;"><u>F</u></th> <th colspan="4"></th> </tr> <tr> <td>65</td> <td style="text-align: right;">\$ 257</td> <td style="text-align: right;">\$237</td> <td colspan="4"></td> </tr> <tr> <td>70</td> <td style="text-align: right;">294</td> <td style="text-align: right;">269</td> <td colspan="4"></td> </tr> <tr> <td>75</td> <td style="text-align: right;">331</td> <td style="text-align: right;">296</td> <td colspan="4"></td> </tr> <tr> <td>80</td> <td style="text-align: right;">355</td> <td style="text-align: right;">315</td> <td colspan="4"></td> </tr> <tr> <td>85</td> <td style="text-align: right;">349</td> <td style="text-align: right;">310</td> <td colspan="4"></td> </tr> </tbody> </table> | Non-Medicare Eligible | | | | | | | | <u>Anthem HMO</u> | | <u>Anthem PPO</u> | | <u>Kaiser</u> | | <u>Age</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | 50 | \$ 596 | \$ 650 | \$ 654 | \$ 658 | \$ 715 | \$ 780 | 55 | 772 | 778 | 779 | 752 | 927 | 933 | 60 | 987 | 927 | 935 | 870 | 1,185 | 1,113 | Medicare Eligible | | | | | | | <u>Humana</u> | | | | | | | <u>Age</u> | <u>M</u> | <u>F</u> | | | | | 65 | \$ 257 | \$237 | | | | | 70 | 294 | 269 | | | | | 75 | 331 | 296 | | | | | 80 | 355 | 315 | | | | | 85 | 349 | 310 | | | | |
| Non-Medicare Eligible | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>Anthem HMO</u> | | <u>Anthem PPO</u> | | <u>Kaiser</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Age</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50 | \$ 596 | \$ 650 | \$ 654 | \$ 658 | \$ 715 | \$ 780 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55 | 772 | 778 | 779 | 752 | 927 | 933 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 60 | 987 | 927 | 935 | 870 | 1,185 | 1,113 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Medicare Eligible | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Humana</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Age</u> | <u>M</u> | <u>F</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 65 | \$ 257 | \$237 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70 | 294 | 269 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 75 | 331 | 296 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 80 | 355 | 315 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 85 | 349 | 310 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Medicare Eligible Rate | <ul style="list-style-type: none"> ■ 100% ■ Everyone eligible for Medicare will elect Part B coverage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

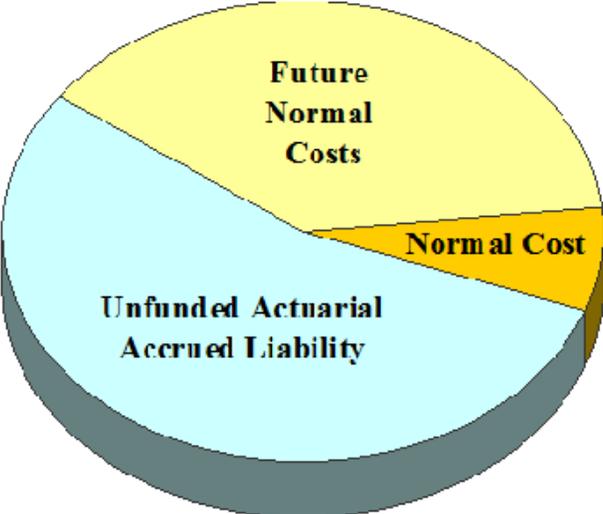
| | June 30, 2015 Valuation |
|--|--|
| <ul style="list-style-type: none"> ■ Spouse Coverage at Retirement | <ul style="list-style-type: none"> ■ Currently covered: Same as current elections ■ Currently waived: 80% |
| <ul style="list-style-type: none"> ■ Surviving Spouse Participation | <ul style="list-style-type: none"> ■ 100% if participant has spouse coverage |
| <ul style="list-style-type: none"> ■ Dependent (Child) Coverage at Retirement | <ul style="list-style-type: none"> ■ Pre-65 <ul style="list-style-type: none"> • Actives: Not covered • Retirees: same as current coverage until 65 ■ Post-65: 0% |
| <ul style="list-style-type: none"> ■ Spouse Age | <ul style="list-style-type: none"> ■ Current actives: males 3 years older than females ■ Current retirees: males 3 years older than females if spouse birth date not provided |
| <ul style="list-style-type: none"> ■ Future New Participants | <ul style="list-style-type: none"> ■ None: closed group |



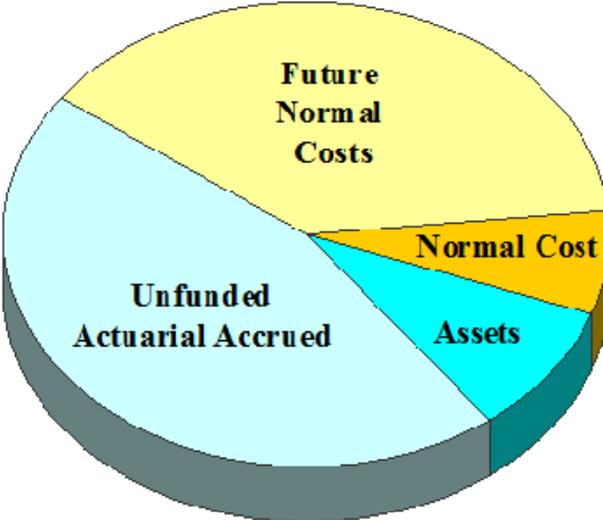
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

| | |
|--|--|
| <p>■ Present Value of Benefits (PVB)</p> | <ul style="list-style-type: none">• When an actuary prepares an actuarial valuation, (s)he first gathers participant data (including active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example June 30, 2015). Using this data and actuarial assumptions, the actuary projects future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die or become disabled, as well as what salary increases, general (and healthcare) inflation and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's present value of benefits. It represents the amount the plan needs as of the valuation date to pay all future benefits – if all assumptions are met and no future contributions (employee or employer) are made. |
| <p>■ Actuarial Accrued Liability (AAL)</p> | <ul style="list-style-type: none">• This represents the portion of the present value of benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date. |



DEFINITIONS

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|--|---|
| <p>■ Plan Assets</p> | <ul style="list-style-type: none"> • This includes funds that have been segregated and restricted in a trust so they can only be used to pay plan benefits. |
| <p>■ Unfunded Actuarial Accrued Liability (UAAL)</p> | <ul style="list-style-type: none"> • This is the difference between the Actuarial Accrued Liability and Plan Assets. This represents the amount of the Actuarial Accrued Liability that must still be funded. If the Plan Assets exceed the Actuarial Accrued Liability, the plan has Surplus Assets. |
| <p>■ Normal Cost (NC)</p> | <ul style="list-style-type: none"> • The Normal Cost represents the portion of the present value of benefits expected to be earned (on an actuarial, not actual, basis) in the coming year. |
| <p>■ Actuarial Cost Method</p> | <ul style="list-style-type: none"> • This determines the method in which benefits are actuarially earned (allocated) to each year of service. It has no effect on the Present Value of Benefits, but has significant effect on the Actuarial Accrued Liability and Normal Cost. The City's June 30, 2015 retiree healthcare valuation was prepared using the Entry Age Normal cost method. Under the Entry Age Normal cost method, the Plan's Normal Cost is developed as a level percentage of payroll throughout the participant's working lifetime. |



DEFINITIONS

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|---|---|
| ■ PayGo Cost | <ul style="list-style-type: none">• Cash subsidy is employer pay-as-you-go benefit payments for retirees• Implied subsidy is difference between actual cost of retiree benefits and retiree premiums subsidized by active employee premiums |
| ■ Implied Subsidy | <ul style="list-style-type: none">• An implied subsidy exists when the premium for a group of early retirees is determined by aggregating their experience with active employees. GASB 45 requires that the implied subsidy for retirees be included in the AAL and the ARC. |
| ■ Annual Required Contribution (ARC) | <ul style="list-style-type: none">• GASB 45 does not require an agency to make up any shortfall (unfunded liability) immediately or take an immediate credit for any excess assets (surplus). Instead, the unfunded liability or surplus is amortized over time. An agency's Annual Required Contribution is simply the current employer Normal Cost plus an amortization of the unfunded liability or less an amortization of the excess assets. In other words, the contribution is the value of benefits earned during the year plus an amount to keep the plan on track for funding.• Contributing the ARC is not actually required, but the difference between the ARC and amounts contributed will increase the unfunded liability, as well the UAAL amortization, for the following year. |

DEFINITIONS

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|------------------------------------|---|
| <p>■ Net OPEB Obligation (NOO)</p> | <ul style="list-style-type: none">• An agency's Net OPEB Obligation is the historical difference (from implementation) between actual contributions made (or benefits paid to or on behalf of retirees) and the Annual Required Contributions. If an agency has always funded the Annual Required Contribution, then the Net OPEB Obligation will always equal zero. |
| <p>■ Annual OPEB Cost (AOC)</p> | <ul style="list-style-type: none">• GASB 45 requires the Annual OPEB Cost equal the Annual Required Contribution except when an agency has a Net OPEB Obligation at the beginning of the year. When that happens, the Annual OPEB Cost will equal the ARC, adjusted for expected interest on the Net OPEB Obligation and reduced by an amortization of the Net OPEB Obligation. The purpose of this adjustment is simply to remove amortizations included in the ARC for amounts already expensed but not funded. |