Bickmore

August 24, 2015

Mr. Eric Erickson
Finance and Human Resources Director
City of Mill Valley
26 Corte Madera Avenue
Mill Valley, CA 94941

Re: July 1, 2014 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Eric:

We are pleased to enclose our report providing the results of the July 1, 2014 actuarial valuation of other post-employment benefit (OPEB) liabilities for the City of Mill Valley (the City). The report's text describes our analysis and assumptions in detail and reflects recent decisions by the City Council with respect to investment policy and OPEB funding levels.

The primary purposes of the report are to develop the value of future OPEB expected to be provided by the City, and the current OPEB liability and the annual OPEB expense to be reported in the City's financial statements for the fiscal years ending June 30, 2015 and 2016.

This valuation was prepared with the understanding that:

- The City intends to invest irrevocable OPEB trust assets using a balanced investment strategy and a targeted rate long term return between 6.5% - 6.75%. As directed by Council, plan liabilities were calculated based on a 6.5% discount rate.
- There have been some changes to benefits since the 2012 valuation was prepared, including changes in the maximum subsidy provided to retirees and discontinuation of dependent coverage for more recent hires.

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

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

Sincerely,

Catherine L. MacLeod

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

Enclosure

Bickmore

City of Mill Valley

Actuarial Valuation of the Other Post-Employment Benefit Programs As of July 1, 2014

Submitted August 2015

Table of Contents

A. Executive Summary

This report presents the results of the July 1, 2014 actuarial valuation of the City of Mill Valley (the City) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical and dental coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The City of Mill Valley OPEB plan includes employees providing services to the City, as well as employees providing services to the Sewer Agency of Southern Marin (SASM). Note that allowing pre-Medicare retirees to continue medical coverage at the same premium rates as are charged for active employees is considered a benefit subsidy under GASB 45.

How much the City contributes each year affects the calculation of liabilities. Prefunding the plan generally supports use of a higher interest rate and typically produces substantially lower liabilities than a pay-as-you-go funding policy. The prior valuation used a 5.26% discount rate for the City Plan, reflecting the partial prefunding level, and a 4.25% discount rate for the SASM Plan. The City recently increased the level of its contributions to its trust account and now intends to consistently make OPEB contributions greater than or equal to the Annual Required Contribution (ARC) each year. As approved by the Council, this July 2014 valuation was prepared using a 6.5% discount rate for both Plans, reflecting the increased contribution levels. Note that use of this rate is not a guarantee of future investment performance, but an assumption about the expected long term rate of return on assets anticipated to be used to finance the benefits, and reflects the general investment approach the City intends to take with future trust investments. Appendix II illustrates the impact of differing expected long return assumptions.

The results of this valuation are expected to be applied for the City's and SASM's fiscal years ending June 30, 2015 and June 30, 2016. The Actuarial Accrued Liability and Assets as of the valuation date of July 1, 2014 are shown below:

Group	City Plan	SASM Plan
Discount Rate	6.5%	6.5%
Actuarial accrued liability (AAL)	$ 23,133,515	$ 2,766,309
Actuarial value of assets	5,743,336	-
Unfunded AAL (UAAL)	17,390,179	2,766,309
Funded Ratio	24.8%	0.0%

The following summarizes results for the fiscal year ending June 30, 2015:

Group	City Plan	SASM Plan
Annual Required Contribution (ARC) for FYE 2015	$ 1,836,194	$ 240,181
Expected City paid benefits for retirees	592,071	100,378
Current year's implicit subsidy credit	116,797	32,227
Expected contribution to OPEB trust	867,492	129,656
Expected net OPEB obligation at June 30, 2015	7,914,640	884,951

These results are shown in tables beginning on page 13. Projected results for the fiscal year ending June 30, 2016 are also shown in these tables. An illustration of results at two other discount rates is provided in Appendix 2. Additional information to facilitate OPEB reporting in the City's financial statements is provided in Appendix 3.

Executive Summary (Concluded)

The liabilities and calculations 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. We also note that this valuation has been prepared on a closed group basis; no provision is generally made for new employees until the valuation date following their employment.

A comparison of current results to those from the prior valuation is provided on page 7 (City plan) and 8 (SASM plan) and a description of assumption and benefit changes is provided on page 9. An actuarial valuation is, by its nature, a projection and to the extent that actual experience is not what we assumed, future results will be different. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future medical premium rates or in the subsidy provided by the City toward retiree medical premiums;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Longer life expectancies of retirees;
- Higher or lower returns on plan assets than were assumed; and
- Implementation of GASB 75, the new OPEB accounting standard, with many provisions similar to those adopted in GASB 68 for defined benefit retirement plan liabilities. Among other changes, reporting of the unfunded OPEB liability will be shifted from a footnote to the balance sheet.

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages. The date of the next actuarial valuation should not be later than July 1, 2016. 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.

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the City's financial statements and to provide the annual contribution information with respect to the City's current OPEB funding policy. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The City should consult counsel on these matters; Bickmore does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the City consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the City implemented GASB 45 for the fiscal year ended June 30, 2009.

For agencies with 200 or more members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every two years. GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the City's OPEB contributions had been equal to the ARC each year, the net OPEB obligation would equal $0.
- If the City's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C for the City Plan and Table 1F for the SASM Plan).

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

The decision whether or not to prefund, and at what level, is at the discretion of the City, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the City's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

C. Sources of OPEB Liabilities

General Types of OPEB

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 insurance, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Exceptions may exist when the plan is part of a "community-rated" program. Current GASB guidance[2] may allow an agency whose membership is a very small portion (e.g., less than 1%) of the total coverage of a multiple employer plan to reasonably conclude that any change in their group's mix of retirees and active employees would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

OPEB Obligations of the City

The City provides continuation of medical and dental 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 retiree medical coverage. These explicit benefits are described in Table 3 and liabilities have been included in this valuation.
- We believe no implicit liability exists with respect to dental benefits provided to retirees, or that it is insignificant.
- We believe that medical coverage for **pre-Medicare retirees** is provided at premium rates less than the expected claims for these retirees, giving rise to an implicit subsidy liability as described above. Because the medical plans provided to pre-Medicare retirees do not meet the community-rated plan exception, this implicit subsidy is an OPEB liability which must be valued.

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[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.

[2] A change in Actuarial Standards of Practice was recently adopted, eliminating the community rated plan exception in GASB 45 for valuation dates after March 30, 2015. Because this exception did not apply to the City's healthcare plans, this change will not affect the OPEB liability. GASB Statement 75 was issued in June 2015 and is expected to impact the OPEB liability and expense to be reported by the City in future years.

Sources of OPEB Liabilities (Concluded)

- The Kaiser Medicare Senior Advantage plan does not cover any City active employees, thus there is no implicit subsidy of these Medicare retiree premiums by active City employees. Health Net PPO and HMO premiums are not reduced for Medicare retirees, despite this coverage being secondary to Medicare. Consequently, we believe no implicit subsidy exists for Health Net coverage for Medicare retirees, or that it is insignificant.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in January 2015 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 they are reasonable in various respects, the data has not been audited and we have otherwise relied on the City as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3, based on information supplied to Bickmore by the City. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In the specific development of the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. These projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding the following:

- The probability that each individual employee will or will not continue in service with the City to receive benefits.
- To the extent assumed to retire from the City, the probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 70 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 and the amounts for each individual are then summed to get the results for the entire plan. 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 for active employees in the current year is referred to as the "normal cost". The remaining active cost to be assigned to future years is called the "present value of future normal costs". In summary:

Actuarial Accrued Liability	Past Years' Costs
plus Normal Cost	Current Year's Cost
<u>*plus* Present Value of Future Normal Costs</u>	<u>Future Years' Costs</u>
equals Present Value of Projected Benefits	Total Benefit Costs

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. In this valuation, we set the Actuarial Value of Assets equal to the market value of assets invested in in the City's ICMA-RC account. The market value reported as of June 30, 2014 was $5,743,336. As of June 30, 2014, all of the assets are for the City, and none are for SASM. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

For City Plan employees: The following chart compares the July 1, 2014 and the (updated final) June 30, 2012 valuation results.

	Partial Prefunding			Prefunding Basis		
Valuation date	**6/30/2012**			**7/1/2014**		
Subsidy	**Explicit**	**Implicit**	**Total**	**Explicit**	**Implicit**	**Total**
Discount rate	5.26%	5.26%	5.26%	6.50%	6.50%	6.50%
Number of Covered Employees						
Actives	127	127	127	132	132	132
Retirees	51	31	52	57	27	58
Total Participants	178	158	179	189	159	190
Actuarial Present Value of Projected Benefits						
Actives	$ 18,609,488	2,955,945	21,565,433	15,752,199	2,461,093	$ 18,213,292
Retirees	10,594,627	1,710,856	12,305,483	10,624,299	999,001	11,623,300
Total APVPB	29,204,115	4,666,801	33,870,916	26,376,498	3,460,094	29,836,592
Actuarial Accrued Liability (AAL)						
Actives	9,719,462	1,616,768	11,336,230	9,913,787	1,596,428	11,510,215
Retirees	10,594,627	1,710,856	12,305,483	10,624,299	999,001	11,623,300
Total AAL	20,314,089	3,327,624	23,641,713	20,538,086	2,595,429	23,133,515
Actuarial Value of Assets	3,108,503	509,200	3,617,703	5,098,971	644,365	5,743,336
Unfunded AAL (UAAL)	17,205,586	2,818,424	20,024,010	15,439,115	1,951,064	17,390,179
Normal Cost	777,468	115,924	893,392	621,653	91,057	712,710
Benefit Payments	492,230	158,793	651,023	592,071	116,797	708,868

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 24.8% as of July 1, 2014. Covered payroll as of July 1, 2014 was reported to be $10,783,013. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 161.3% as of this date.

Basic Valuation Results - Continued

For SASM Plan employees: The following chart compares the July 1, 2014 valuation and the (updated final) June 30, 2012 valuation.

	Pay-As-You-Go Basis			Prefunding Basis		
Valuation date	**6/30/2012**			**7/1/2014**		
Subsidy	**Explicit**	**Implicit**	**Total**	**Explicit**	**Implicit**	**Total**
Discount rate	4.25%	4.25%	4.25%	6.50%	6.50%	6.50%
Number of Covered Employees						
Actives	13	13	13	14	14	14
Retirees	5	5	5	7	6	7
Total Participants	18	18	18	21	20	21
Actuarial Present Value of Projected Benefits						
Actives	$ 2,323,863	312,948	2,636,811	1,324,442	204,986	$ 1,529,428
Retirees	1,463,710	329,279	1,792,989	1,626,896	216,633	1,843,529
Total APVPB	3,787,573	642,227	4,429,800	2,951,338	421,619	3,372,957
Actuarial Accrued Liability (AAL)						
Actives	1,273,631	186,798	1,460,429	792,744	130,036	922,780
Retirees	1,463,710	329,279	1,792,989	1,626,896	216,633	1,843,529
Total AAL	2,737,341	516,077	3,253,418	2,419,640	346,669	2,766,309
Actuarial Value of Assets	-	-	-	-	-	-
Unfunded AAL (UAAL)	2,737,341	516,077	3,253,418	2,419,640	346,669	2,766,309
Normal Cost	89,466	11,691	101,157	56,505	8,128	64,633
Benefit Payments	56,366	27,170	83,536	100,378	32,227	132,605

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 0% as of July 1, 2014. Covered payroll as of July 1, 2014 was reported to be $1,181,604. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 234.1% as of this date.

Basic Valuation Results (concluded)

Changes Since the Prior Valuation

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

Comparing the expected UAAL as of July 1, 2014, projected from the prior valuation, with the actual UAAL as of July 1, 2014, we see the following differences:

As of July 1, 2014	City Plan	SASM Plan
Actual UAAL	$ 17,390,179	$ 2,766,309
Expected UAAL	23,662,714	3,676,902
Difference	(6,272,535)	(910,593)

The principal reasons for the differences from what we projected are:

Source of difference	City Plan	SASM Plan
City Plan discount rate increased from 5.26% to 6.5%	$ (4,514,000)	$ -
SASM Plan discount rate increased from 4.25% to 6.5%	-	(982,000)
Increase in assumed future medical trend	3,096,000	433,000
Projection of additional improvements in future mortality	928,000	140,000
Other, including plan experience (see below)	(5,783,000)	(502,000)
Total (All Differences from Expected)	$ (6,273,000)	$ (911,000)

Change in the UAAL in the “Other” category includes:

- Plan experience, which includes factors such as employee terminations or retirements and premium increases other than expected. For example, we expected medical premiums to increase by about 17% between July 2013 and July 2014, though actual increases averaged only about 6% during those 2 years; dental premium were assumed to increase by 7% over this period and actually declined slightly. Together, these differences resulted in roughly a $1,650,000 decrease in liabilities. The number of employees leaving the City prior to retirement were close to projected, but occurred more than expected in older employees with longer service; this resulted in liabilities released of nearly $800,000. Similar gains may have occurred relating to retirements later than expected, but these were not quantified.

  Plan experience also includes higher than expected City Plan contributions ($591,000) and higher than expected return on (City Plan) trust assets ($139,000).

- Prior liabilities were also reduced from (a) elimination of future retiree’s access to coverage if he or she does not meet the requirements to receive a City paid subsidy and (b) an adjustment to our assumptions regarding the likelihood that a future Tier 1 retiree will be married and, if so, which plan such married retirees will elect in retirement. Together these two changes account for an estimated reduction of liabilities of roughly $1,800,000.

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, 2015 and June 30, 2016 are developed in Table 1B (for the City Plan) and 1E (for the SASM Plan).

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 prefunding policy includes amortization of the unfunded AAL over a closed 30-year period initially effective July 1, 2009; the remaining period applicable in developing the ARC for the fiscal year ending June 30, 2015 is 24 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. This transfer represents the current year’s implicit subsidy. Paragraph 13.g.of GASB 45 allows for recognition of payments to an irrevocable trust *or directly to the insurer* as an employer’s contribution to the ARC. We recommend netting this amount against the funding requirement for the implicit subsidy (see Table 1C for the City Plan and Table 1F for the SASM Plan).

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. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuation of the retirement plans covering City employees. Other assumptions were selected based on demonstrated plan experience and/or our best estimate of expected future experience. Several of these assumptions were updated since the last valuation was prepared, as described at the end of Table 4.

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 discount rate used to value liabilities in this report is 6.5%. This rate is higher than the 5.26% and 4.25% rates used to project City and SASM liabilities, respectively, in the 2012 valuation, reflecting the expected ongoing increase in OPEB contribution levels.

H. Certification

This report presents the results of our actuarial valuation of the other post employment benefits provided by the City of Mill Valley. The purpose of this valuation was to provide the actuarial information required for the City's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligations for the years to which this report is expected to be applied.

We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the City. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: August 24, 2015

Catherine L. MacLeod

Catherine L. MacLeod, FSA, FCA, EA, MAAA

Francis M. Schauer, Jr.

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

Table 1A
Summary of Valuation Results
City Plan

The basic valuation results are presented in Section E. The following summarizes the results of our valuation of OPEB liabilities for employees assigned to the City Plan calculated under GASB 45 for the fiscal year ending June 30, 2015 as well as projected amounts for the fiscal year ending June 30, 2016.

	Prefunding Basis	
Valuation date	**7/1/2014**	
For fiscal year beginning	7/1/2014	7/1/2015
For fiscal year ending	6/30/2015	6/30/2016
Discount rate	6.50%	6.50%
Expected return on assets		
Number of Covered Employees*		
Actives	132	132
Retirees	58	58
Total Participants	190	190
Actuarial Present Value of Projected Benefits		
Actives	$ 18,213,292	$ 19,370,352
Retirees	11,623,300	11,677,473
Total APVPB	29,836,592	31,047,825
Actuarial Accrued Liability (AAL)		
Actives	11,510,215	12,990,612
Retirees	11,623,300	11,677,473
Total AAL	23,133,515	24,668,085
Actuarial Value of Assets	5,743,336	6,984,144
Unfunded AAL (UAAL)	17,390,179	17,683,941
Normal Cost	712,710	735,873
Benefit Payments		
Actives (in retirement)	3,491	65,374
Retirees	705,377	733,635
Total	708,868	799,009

* The numbers of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in the following year. Based on assumptions outlined in Table 4, we recognize the possibility that some active employees may leave employment, some may retire and elect benefits and coverage for some of the retired employees may cease.

Table 1B
Calculation of the Annual Required Contribution
City Plan

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a prefunding basis for City Plan employees for the fiscal years ending June 30, 2015 and June 30, 2016.

	Prefunding Basis	
Fiscal Year End	**6/30/2015**	**6/30/2016**
Funding Policy		
Discount rate	6.50%	6.50%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	24	23
Determination of Amortization Payment		
UAAL	$ 17,390,179	$ 17,683,941
Factor	17.1939	16.7036
Payment	1,011,415	1,058,687
Annual Required Contribution (ARC)		
Normal Cost	712,710	735,873
Amortization of UAAL	1,011,415	1,058,687
Interest to 06/30	112,069	116,647
Total ARC at fiscal year end	1,836,194	1,911,207

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

Valuation date	**7/1/2014**	
Fiscal Year End	**6/30/2015**	**6/30/2016**
Projected covered payroll	$ 10,783,013	$ 11,133,461
Normal Cost as a percent of payroll	6.6%	6.6%
ARC as a percent of payroll	17.0%	17.2%
ARC per active ee	13,911	14,479

Table 1C
Expected OPEB Disclosures
City Plan

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the City Plan group for the fiscal years ending June 30, 2015 and June 30, 2016. The calculations assume the City continues to follow the prefunding approach outlined on the prior page.

Fiscal Year End	Prefunding Basis 6/30/2015	Prefunding Basis 6/30/2016
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	$ 1,836,194	$ 1,911,207
b. Interest on Net OPEB Obligation (Asset) at beginning of year	496,045	514,451
c. Adjustment to the ARC	(472,696)	(504,626)
d. **Annual OPEB Expense (a. + b. + c.)**	1,859,543	1,921,032
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	592,071	674,947
b. Estimated current year's implicit subsidy	116,797	124,062
c. Estimated contribution to OPEB trust	867,492	1,112,198
d. **Total Expected Employer Contribution**	1,576,360	1,911,207
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	283,183	9,825
Net OPEB Obligation (Asset), beginning of fiscal year	7,631,457	7,914,640
Net OPEB Obligation (Asset) at fiscal year end	7,914,640	7,924,465

Please note:

- The Net OPEB Obligation of $7,631,457 shown above as of June 30, 2014 is based on information received from the City, but has not yet been confirmed in financial statements.
- Total City contributions of $1,576,360 were $259,834 less than the ARC developed in this valuation for the fiscal year ending June 30, 2015. The lower contributions were based on roll forward projections from the prior valuation, which were developed from somewhat different assumptions, including a higher discount rate.
- For the fiscal year ending June 30, 2016, estimated retiree payments should be replaced with the actual payment amount to determine the portion of the ARC to be contributed to the OPEB trust **so that the total actual contributions equals or exceeds the ARC of $1,911,207**. Should total actual City contributions (2.a. + 2.b. + 2.c) be less than the ARC shown above, the next valuation may require use of a lower discount rate for valuing the liabilities.

Table 1D
Summary of Valuation Results
SASM Plan

The basic valuation results are presented in Section E. The following summarizes the results of our valuation of OPEB liabilities for employees assigned to the SASM Plan calculated under GASB 45 for the fiscal year ending June 30, 2015 as well as projected amounts for the fiscal year ending June 30, 2016.

	Prefunding Basis	
Valuation date	**7/1/2014**	
For fiscal year beginning	7/1/2014	7/1/2015
For fiscal year ending	6/30/2015	6/30/2016
Discount rate	6.50%	6.50%
Number of Covered Employees*		
Actives	14	14
Retirees	7	7
Total Participants	21	21
Actuarial Present Value of Projected Benefits		
Actives	$ 1,529,428	$ 1,625,774
Retirees	1,843,529	1,836,473
Total APVPB	3,372,957	3,462,247
Actuarial Accrued Liability (AAL)		
Actives	922,780	1,048,528
Retirees	1,843,529	1,836,473
Total AAL	2,766,309	2,885,001
Actuarial Value of Assets	-	129,656
Unfunded AAL (UAAL)	2,766,309	2,755,345
Normal Cost	64,633	66,733
Benefit Payments		
Actives (in retirement)	791	7,302
Retirees	131,814	131,830
Total	132,605	139,132

* The numbers of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in the following year. Based on assumptions outlined in Table 4, we recognize the possibility that active employees may leave employment, some may retire and elect benefits and coverage for some of the retired employees may cease.

Table 1E
Calculation of the Annual Required Contribution
SASM Plan

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a prefunding basis for SASM Plan employees for the fiscal years ending June 30, 2015 and June 30, 2016.

	Prefunding Basis	
Fiscal Year End	**6/30/2015**	**6/30/2016**
Funding Policy		
Discount rate	6.50%	6.50%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	24	23
Determination of Amortization Payment		
UAAL	$ 2,766,309	$ 2,755,345
Factor	17.1939	16.7036
Payment	160,889	164,955
Annual Required Contribution (ARC)		
Normal Cost	64,633	66,733
Amortization of UAAL	160,889	164,955
Interest to 06/30	14,659	15,060
Total ARC at fiscal year end	240,181	246,748

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

Valuation date	**7/1/2014**	
Fiscal Year End	**6/30/2015**	**6/30/2016**
Projected covered payroll	$ 1,181,604	$ 1,220,006
Normal Cost as a percent of payroll	5.5%	5.5%
ARC as a percent of payroll	20.3%	20.2%
ARC per active ee	17,156	17,625

Table 1F
Expected OPEB Disclosures
SASM Plan

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the SASM Plan group for the fiscal years ending June 30, 2015 and June 30, 2016. The calculations assume the City continues to follow the prefunding approach outlined on the prior page.

	Prefunding Basis	
Fiscal Year End	**6/30/2015**	**6/30/2016**
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	$ 240,181	$ 246,748
b. Interest on Net OPEB Obligation (Asset) at beginning of year	58,777	57,521
c. Adjustment to the ARC	(56,010)	(56,423)
d. **Annual OPEB Expense (a. + b. + c.)**	242,948	247,846
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	100,378	104,448
b. Estimated current year's implicit subsidy	32,227	34,684
c. Estimated contribution to OPEB trust	129,656	107,616
d. **Total Expected Employer Contribution**	262,261	246,748
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	(19,313)	1,098
Net OPEB Obligation (Asset), beginning of fiscal year	904,264	884,951
Net OPEB Obligation (Asset) at fiscal year end	884,951	886,049

Please note:

- The Net OPEB Obligation shown above as of June 30, 2014 is an estimate, based on preliminary information received from SASM.
- The expected payments to retirees shown in item 2.a. for the fiscal year ending June 30, 2016 are an estimate. This estimate should be replaced with the actual payments in order to determine the portion of the ARC to be contributed to the OPEB trust **so that the total of the actual contributions equals or exceeds the ARC of $246,748**.
- Should total employer contributions (the sum of actual premiums paid, implicit subsidy credits and contributions to ICMA-RC) be less than the ARC, the next valuation may require use of a lower discount rate for valuing the liabilities.

Table 2
Summary of Employee Data

City Plan employees: The City reported 132 active City plan employees; of these, 120 were currently participating in the medical program and 12 employees were not participating in this medical program as of the valuation date. Their age and service information is provided below:

Distribution of Benefits-Eligible Active City Plan 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	3	1					4	3%
25 to 29	6	9	2				17	13%
30 to 34	4	5	9	2			20	15%
35 to 39	1	2	3	3			9	7%
40 to 44	1	3	10	2	2	1	19	14%
45 to 49	4	1	4	3	3	3	18	14%
50 to 54	2	2	2	1	3	11	21	16%
55 to 59	2	2	2	3	1		10	8%
60 to 64	1	1	3	6	1		12	9%
65 to 69			2				2	2%
70 & Up							0	0%
Total	24	26	37	20	10	15	**132**	**100%**
Percent	18%	20%	28%	15%	8%	11%	**100%**	

	June 2012 Valuation	July 2014 Valuation
Annual Covered Payroll	$9,552,745	$10,783,013
Average Attained Age for Actives	43.7	43.7
Average Years of Service	9.3	8.7

There are also 58 City plan retirees and their spouses and/or beneficiaries receiving benefits. Their ages are summarized in the chart below.

City Plan Retirees by Age		
Current Age	Number	Percent
Below 50	1	2%
50 to 54	4	7%
55 to 59	10	17%
60 to 64	12	21%
65 to 69	16	28%
70 to 74	7	12%
75 to 79	5	9%
80 & up	3	5%
Total	**58**	**100%**
Average Attained Age for Retirees:		65.6

Includes 2 suviving spouses

Table 2- Summary of Employee Data (Continued)

SASM Plan employees: The City reported 14 active SASM plan employees; of these, 13 were currently participating in the medical program and 1 employee was not participating in the medical program as of the valuation date. Their age and service information is below:

Distribution of Benefits-Eligible Active SASM Plan 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							0	0%
25 to 29		1					1	1%
30 to 34		2	1				3	2%
35 to 39		1					1	1%
40 to 44			1				1	1%
45 to 49		1			1	1	3	2%
50 to 54				1			1	1%
55 to 59		1				1	2	2%
60 to 64			1				1	1%
65 to 69	1						1	1%
70 & Up							0	0%
Total	1	6	3	1	1	2	**14**	**11%**
Percent	1%	5%	2%	1%	1%	2%	**11%**	

	June 2012 Valuation	July 2014 Valuation
Annual Covered Payroll	$957,984	$1,181,604
Average Attained Age for Actives	48.5	46.4
Average Years of Service	13.4	8.3

There are also 7 SASM retirees currently receiving benefits, whose ages are summarized in the following chart.

SASM Plan Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	1	14%
55 to 59	1	14%
60 to 64	4	57%
65 to 69	1	14%
70 to 74	0	0%
75 to 79	0	0%
80 & up	0	0%
Total	**7**	**100%**
Average Attained Age for Retirees:		60.3

Table 2- Summary of Employee Data - Continued

The charts below reconcile the number of actives and retirees included in the June 30, 2012 valuation of the City and SASM plans with those included in the July 1, 2014 valuation:

The City Plan population remained largely stable between valuations. There was a net increase of 5 active employees (about a 4% increase). Some of the new employees are covered by the new benefit structure. There are also 15 employees who retired since the last valuation. Of these, only 6 of them qualified for retiree coverage in the City's health plans and all elected to do so.

Reconciliation of City Plan Members Between Valuation Dates						
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Disabled Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2012	122	5	36	14	2	179
New employees	25	5	-	-	-	30
Terminated employees	(10)	-	-	-	-	(10)
New retiree, elected coverage	(6)	-	6	-	-	0
New retiree, ineligible for coverage	(9)	-	-	-	-	(9)
Previously covered, now waiving	(2)	2	-	-	-	0
Number reported as of July 1, 2014	**120**	**12**	**42**	**14**	**2**	**190**

The SASM Plan population also remained largely stable between valuations. Two employees retired, both of whom qualified for and elected coverage in the City's health plans. There was a net increase of 1 in the number of active SASM employees.

Reconciliation of SASM Plan Members Between Valuation Dates						
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Disabled Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2012	13	-	5	-	-	18
New employees	4	1	-	-	-	5
Terminated employees	(2)	-	-	-	-	(2)
New retiree, elected coverage	(2)	-	2	-	-	0
New retiree, ineligible for coverage	-	-	-	-	-	0
Previously covered, now waiving	-	-	-	-	-	0
Number reported as of July 1, 2014	**13**	**1**	**7**	**0**	**0**	**21**

Separate age and service statistics are provided below for miscellaneous and safety employees. These counts and averages include both City and SASM plan members.

Status	**Active City Employees**			**Retired City Employees**		
Employee Type	Misc	Safety	Total	Misc	Safety	Total
Count	100	46	146	43	22	65
Average current age	46.7	38.0	43.9	66.5	62.1	65.0
Average service years	8.3	9.4	8.6	20.6	25.9	22.4
Average retirement age	Not applicable			58.2	53.3	56.5

Table 2- Summary of Employee Data (Concluded)

There are now two tiers defining OPEB eligibility and the amount of subsidy provided by the City and SASM. The following chart shows the total number of active and retired employees in each unit by benefit tier. These numbers combine both City and SASM plan members.

	Actives		Retirees	
Unit	Tier I	Tier II	Tier I	Tier II
AFSCME	36	6	10	-
Battalion Chief	3	-	-	-
Management	37	15	23	-
Management - Dept Head	6	-	14	-
MVFFA	14	6	9	-
MVPOA	20	3	9	-
Total	116	30	65	0

The following chart summarizes the health plan enrollment by plan and coverage level for all actives and retirees (including both City Plan and SASM Plan members). There appears to be a shift from the Health Net plans toward Kaiser coverage in retirement, almost universally so for married retirees. We considered this experience in setting our assumptions regarding retiree coverage elections.

Employees by Medical Plan Coverage				
	Actives	**Pre-65 Retirees**	**Post-65 Retirees**	**Total**
Health Net HMO				
Employee Only	11	2	2	15
Employee & Spouse	6	2	0	8
Employee & Children	3	0	0	3
Employee & Family	2	1	0	3
Total	22	5	2	29
Health Net PPO				
Employee Only	8	2	1	11
Employee & Spouse	0	0	0	0
Employee & Children	0	0	0	0
Employee & Family	0	0	0	0
Total	8	2	1	11
Kaiser				
Employee Only	29	6	14	49
Employee & Spouse	17	14	12	43
Employee & Children	11	0	0	11
Employee & Family	46	3	0	49
Total	103	23	26	152
Outside Coverage	0	3	2	5

Table 3
Summary of Retiree Benefit Provisions

OPEB provided: The City reported that the only OPEB provided are medical and dental coverage.

Access to coverage: This coverage is available for employees who retire with PERS and satisfy certain additional service requirements, which are described on the following page. Retirees who do not meet the minimum eligibility criteria on the following page are not allowed to participate in the City's healthcare plans.

Dependent Coverage: Tier I retirees may not cover dependent children on City health plans. Spouses covered at time of a Tier 1 retiree's death may continue coverage in the City's plans for life. Tier II retirees may not enroll spouses or dependent children in the City's health plans.

Current premium rates: The monthly healthcare premium rates in effect for the period October 1, 2014 – September 30, 2015 are shown below:

Monthly Medical Premiums	Actives and Non-Medicare Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+
Health Net PPO	$ 1,186.27	$ 2,550.44	$ 3,499.46
Health Net HMO	935.52	2,011.37	2,759.85
Kaiser HMO	619.33	1,238.66	1,752.70
	Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+
Health Net PPO	1,211.33	not provided	
Health Net HMO	935.52	2,011.37	
Kaiser Senior Advantage	303.74	607.48	

Delta Dental Rates	
Employee Only	$ 61.80
Employee + Spouse	110.40
Family	156.20

Summary of Retiree Benefit Provisions - Concluded

<table>
<tr><th></th><th></th><th>Date of Hire</th><th>Eligibility</th><th>Medical Benefit</th><th>Dental Benefit</th><th>Term of Benefits</th></tr>
<tr><td rowspan="5">Tier I</td><td>AFSCME</td><td>Hired before April 1, 2013</td><td rowspan="5">Retire directly from the City with 15 years of City service[1, 2]</td><td rowspan="5">City pays retiree and spouse premiums up to the pre-Medicare two party Kaiser premium rate (up to $1,238.66 in 2014)</td><td>None</td><td rowspan="5">Lifetime of retiree & spouse</td></tr>
<tr><td>Non-Represented</td><td rowspan="3">Hired before April 15, 2013</td><td rowspan="4">City pays 100% of retiree and spouse dental premiums (up to $110.40 in 2014)</td></tr>
<tr><td>Police</td></tr>
<tr><td>Fire</td></tr>
<tr><td>Battalion Chief</td><td>Hired before May 6, 2013</td></tr>
<tr><td rowspan="5">Tier II</td><td>AFSCME</td><td>Hired after March 31, 2013</td><td rowspan="5">Retire directly from the City with 20 years of City service[3]</td><td rowspan="5">City pays retiree premiums up to 2/3 of the pre-Medicare employee only Kaiser premium rate (up to $412.89 in 2014)</td><td>None</td><td rowspan="5">Lifetime of retiree</td></tr>
<tr><td>Non-Represented</td><td rowspan="3">Hired after April 14, 2013</td><td rowspan="4">City pays up to 2/3 of the employee only dental premium (up to $41.20 in 2014)</td></tr>
<tr><td>Police</td></tr>
<tr><td>Fire</td></tr>
<tr><td>Battalion Chief</td><td>Hired after May 6, 2013</td></tr>
</table>

[1] Different service requirements apply to three current AFSCME employees.
[2] Department Heads qualify with only 7.5 years of City service.
[3] Department Heads qualify with only 10 years of City service.

Table 4
Actuarial Methods and Assumptions

Valuation Date	July 1, 2014
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.5%
Discount Rate	6.5%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Wage Inflation	3.25% per year; used to determine amortization payments on a level percent of pay basis
General Inflation Rate	3.0% per year

As described in Section D. of the report, in order to value the OPEB benefits provided by the City, we make many assumptions about the likelihood of various events occurring that will affect *eligibility for* and/or *the amount of* benefits expected to be paid to each individual employee, retiree and their potentially eligible dependents. We assign specific probabilities each year for mortality (before and after retirement), termination (withdrawal) of employment and for service or disability retirement. These assumptions are generally referred to as "demographic assumptions". The demographic actuarial assumptions used in this valuation, with the exception of projected mortality improvements, are based on the (demographic) experience study of the California Public Employees Retirement System using data from 1997 to 2007, the same assumptions used in the June 2012 valuation report. We believe these assumptions are reasonable and relevant to the City's employee population.

CalPERS chose to reflect mortality improvements "statically". Static mortality projections choose a constant number of years (e.g. 16) to improve mortality with the number of years chosen typically representing some measure of the duration of liabilities. Since a typical medical OPEB liability has a longer duration we projected mortality "generationally". A generational projection projects mortality to each future year that the valuation encounters potential payments and then discounts those payments by the projected mortality. We believe this better reflects CalPERS intent to reflect improving mortality, but can do so over a wider range of potential liability durations.

Rates for selected age and service are shown on the following pages and express the likelihood that the event (e.g., death, retirement or termination of employment) will occur in a twelve-month period.

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality Before Retirement:

The following charts show a selection of rates of mortality prior to retirement. The rates vary by gender and by type of employee (miscellaneous or safety) and each rate represents the likelihood that a current employee would die during each twelve-month period after the valuation date.

Rates in the tables below were projected using Scale AA on a fully generational basis.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only		
Age	Male	Female
15	0.00045	0.00006
20	0.00047	0.00016
30	0.00053	0.00036
40	0.00087	0.00065
50	0.00176	0.00126
60	0.00395	0.00266
70	0.00914	0.00649
80	0.01527	0.01108

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial Deaths		
Age	Male	Female
15	0.00045	0.00006
20	0.00050	0.00019
30	0.00063	0.00046
40	0.00100	0.00078
50	0.00191	0.00141
60	0.00412	0.00283
70	0.00933	0.00668
80	0.01548	0.01129

Mortality After Retirement:

Death after retirement signals the end of benefits for the retiree, though benefits may continue for a surviving spouse. As above, rates vary by gender but also vary based on whether the employee took a service or a disability retirement and represent the likelihood that a retiree or beneficiary will die during each twelve-month period after the valuation date.

Rates in the tables below and at the top of the following page were projected using Scale AA on a fully generational basis.

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 Disabled Miscellaneous 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

Table 4 - Actuarial Methods and Assumptions (continued)

Mortality After Retirement (continued)

Disabled Fire Employees

CalPERS Public Agency Disabled Fire 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 Employees

CalPERS Public Agency Disabled Police Post Retirement Mortality		
Age	Male	Female
20	0.00230	0.00181
30	0.00227	0.00188
40	0.00272	0.00224
50	0.00503	0.00401
60	0.00845	0.00835
70	0.02304	0.01771
80	0.06984	0.04569
90	0.16774	0.13822

Termination (Withdrawal) Rates

Whether voluntary or involuntary, if an individual ends his or her employment with the City for reasons other than death and does not meet the requirements necessary to qualify for benefits, those benefits will be not be paid. We make assumptions about the likelihood that an employee will leave service in every year between the valuation date and the earliest expected date of retirement. These rates vary based on the employee's age, prior years of CalPERS membership and whether the employee is a safety or miscellaneous employee.

Sample termination rates for miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates

Attained	Years of Service					
Age	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

Sample rates for police employees: sum of CalPERS Terminated Refund and Terminated Vested rates for police officers

Attained	Years of Service					
Age	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

Table 4 - Actuarial Methods and Assumptions (Continued)

Sample rates for fire employees: sum of CalPERS Terminated Refund and Terminated Vested 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

Retirement Rates

To the extent that an individual's employment is not assumed to end through termination or death prior to retirement, we make assumptions about the likelihood each employee will retire in each future year. The likelihood of retirement in any year is dependent up several factors, including the employee's current age, prior years of CalPERS membership and the retirement plan in which the employee participates.

Service Retirement Rates:

The following 6 charts provide sample rates showing the likelihood of an employee's service retirement in the following 12 months.

Sample service retirement rates for **miscellaneous** employee covered by the CalPERS Public Agency 2% @ 55 formula:

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0261	0.0333	0.0404	0.0475	0.0546	0.0618
55	0.0880	0.1120	0.1360	0.1600	0.1840	0.2080
60	0.0880	0.1120	0.1360	0.1600	0.1840	0.2080
65	0.1430	0.1820	0.2210	0.2600	0.2990	0.3380
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Sample rates for **miscellaneous** employees hired on or after 3/25/2011, including those hired after 12/31/2012 but with prior PERS service covered by the CalPERS 2% @ 55 formula

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0150	0.0200	0.0240	0.0290	0.0330	0.0390
55	0.0500	0.0640	0.0780	0.0940	0.1070	0.1270
60	0.0720	0.0920	0.1120	0.1340	0.1530	0.1820
65	0.1740	0.2210	0.2690	0.3230	0.3690	0.4390
70	0.1380	0.1760	0.2140	0.2570	0.2930	0.3490
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates - continued

Sample rates for **miscellaneous** employees joining CalPERS on or after 1/1/2013: CalPERS Public Agency 2% @ 62

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

Sample rates for **police** employees joining CalPERS before 1/1/2013: CalPERS Public Agency 3% @ 55

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

Sample rates for **fire** employees joining CalPERS before 1/1/2013: CalPERS Public Agency 3% @ 55

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

Sample rates for all **safety** employees joining CalPERS on or after 1/1/2013: CalPERS Public Agency 2.7% @ 57

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0138	0.0138	0.0138	0.0138	0.0253	0.0451
55	0.0764	0.0764	0.0764	0.0764	0.1398	0.2492
60	0.1256	0.1256	0.1256	0.1256	0.1547	0.2255
65	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
70	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (continued)

Disability Retirement Rates:

The following 3 charts provide sample rates showing the likelihood of an employee's retirement on disability in the following 12 months. For example, in the first chart below, we can see that an active male miscellaneous employee, now exactly age 40, is assumed to have a small .145% chance of retiring from the City due to approved disability before his 41st birthday.

Miscellaneous employees

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

Fire Employees

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

Police Employees

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

Healthcare Trend

The schedule of future increases in medical premium rates is one of the most challenging assumptions the actuary makes in an OPEB valuation. In selecting the trend used below, we considered information provided in national surveys[3], observed healthcare trend increases in California, the City's experience over the prior decade and assumptions used in the actuarial valuation of the California State employees OPEB liabilities.

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 below:

Effective October 1	Premium Increase	Effective October 1	Premium Increase
2015	7.50%	2021	6.00%
2016	7.25%	2022	5.75%
2017	7.00%	2023	5.50%
2018	6.75%	2024	5.25%
2019	6.50%	2025	5.00%
2020	6.25%	& later	5.00%

Dental premiums are assumed to increase by 3.5% annually.

[3] Including the Pension/OPEB 2014 Assumption and Disclosure Survey released by Pricewaterhouse Coopers, LLP.

Table 4 - Actuarial Methods and Assumptions (continued)

Medicare Eligibility	All individuals are assumed to be eligible for Medicare Parts A and B at age 65.
Participation Rate	*Participating actives*: 100% are assumed to continue coverage in retirement if expected to qualify for City-paid premiums upon retirement. Future retirees not qualifying for the City-paid subsidy are no longer eligible to continue in the City's medical plans. *Non-participating actives:* If expected to qualify for City-paid premiums upon retirement, 80% are assumed to elect Kaiser HMO coverage at a later date, thus gaining access to coverage and benefits in retirement. *Retired participants*: Existing medical plan elections are assumed to be continued until the retiree's death.
Spouse Coverage	*Tier I Active employees:* Current married employees are assumed to be married at retirement and to elect coverage in the Kaiser HMO plan in retirement. Current unmarried employees are assumed to be unmarried at retirement and continue coverage in their current medical plan in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives. *Tier II Active employees*: Not applicable; spouses of Tier II retirees are not eligible for healthcare coverage in the City's plans. *Retired participants*: Existing elections for spouse coverage are assumed continue until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.
Development of Age-related Medical Premiums	Actual premium rates were adjusted to an age-related basis by applying the rates per the "Representative Curve for General Use" as presented by Petertil, August 2003, Society of Actuaries. Rates between 50 and 64 were averaged and rounded to the nearest .5%. A uniform rate was developed and applied prior to age 50 following analysis of plans offered for pre-Medicare eligible individuals. The result of this analysis is that premiums are assumed to increase at the rate of 3.5% per year of age for all ages prior to age 65.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Changes Since the Prior Valuation:

Discount rates	Increased from 5.26% to 6.5% for the City Plan, and from 4.25% to 6.5% for the SASM Plan
Mortality Improvement	Future improvement in mortality rates was projected by applying Scale AA on a fully generational basis to the mortality tables used in the most recent CalPERS retirement plan valuations covering City employees.
Healthcare trend	Medical plan premium rates are assumed to increase at somewhat different rates than were assumed in the prior valuation.

Table 5
Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the City. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

City Plan employees:

Projected Annual Benefit Payments - City Plan							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2015	$ 592,071	$ -	$ 592,071	$ 113,306	$ 3,491	$ 116,797	$ 708,868
2016	619,006	55,941	674,947	114,629	9,433	124,062	799,009
2017	647,994	111,360	759,354	122,330	22,111	144,441	903,795
2018	674,550	177,315	851,865	128,942	39,449	168,391	1,020,256
2019	713,654	253,513	967,167	131,112	59,360	190,472	1,157,639
2020	740,095	321,953	1,062,048	130,384	66,886	197,270	1,259,318
2021	757,325	404,375	1,161,700	118,944	96,674	215,618	1,377,318
2022	776,066	486,809	1,262,875	108,715	121,910	230,625	1,493,500
2023	790,667	589,792	1,380,459	109,685	165,514	275,199	1,655,658
2024	793,624	718,967	1,512,591	90,658	205,434	296,092	1,808,683

SASM Plan employees:

Projected Annual Benefit Payments - SASM Plan							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2015	$ 100,378	$ -	$ 100,378	$ 31,436	$ 791	$ 32,227	$ 132,605
2016	99,134	5,314	104,448	32,696	1,988	34,684	139,132
2017	102,280	8,718	110,998	33,427	3,621	37,048	148,046
2018	109,548	12,275	121,823	40,029	5,611	45,640	167,463
2019	107,076	16,946	124,022	20,255	7,795	28,050	152,072
2020	113,529	21,490	135,019	24,179	6,048	30,227	165,246
2021	113,978	28,557	142,535	20,584	8,955	29,539	172,074
2022	107,476	37,480	144,956	7,569	12,350	19,919	164,875
2023	112,064	42,989	155,053	9,120	8,861	17,981	173,034
2024	116,215	55,245	171,460	10,796	12,853	23,649	195,109

Appendix 1
OPEB Disclosures: Explicit and Implicit

City Plan: The exhibit below presents the results of Table 1B and 1C split between explicit and implicit costs. The amortization payment is calculated on the same basis as described in Table 1B.

	Prefunding Basis					
Fiscal Year End	**6/30/2015**			**6/30/2016**		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Determination of Amortization Payment						
UAAL	$ 15,439,115	$ 1,951,064	$ 17,390,179	$ 15,625,878	$ 2,058,063	$ 17,683,941
Factor	17.1939	17.1939	17.1939	16.7036	16.7036	16.7036
Payment	897,941	113,474	1,011,415	935,477	123,210	1,058,687
Annual Required Contribution (ARC)						
Normal Cost	621,653	91,057	712,710	641,857	94,016	735,873
Amortization of UAAL	897,941	113,474	1,011,415	935,477	123,210	1,058,687
Interest to 06/30	98,774	13,295	112,069	102,527	14,120	116,647
Total ARC at fiscal year end	1,618,368	217,826	1,836,194	1,679,861	231,346	1,911,207
1. Calculation of the Annual OPEB Expense						
a. ARC for current fiscal year	$ 1,618,368	$ 217,826	$ 1,836,194	$ 1,679,861	$ 231,346	$ 1,911,207
b. Interest on Net OPEB Obligation (Asset) at beginning of year	440,392	55,653	496,045	452,061	62,390	514,451
c. Adjustment to the ARC	(419,663)	(53,033)	(472,696)	(443,427)	(61,199)	(504,626)
d. **Annual OPEB Expense (a. + b. + c.)**	1,639,097	220,446	1,859,543	1,688,495	232,537	1,921,032
2. Calculation of Expected Contribution						
a. Estimated payments on behalf of retirees	592,071	-	592,071	674,947	-	674,947
b. Estimated current year's implicit subsidy	-	116,797	116,797	-	124,062	124,062
c. Estimated contribution to OPEB trust	867,492	-	867,492	1,004,914	107,284	1,112,198
d. **Total Expected Employer Contribution**	1,459,563	116,797	1,576,360	1,679,861	231,346	1,911,207
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	179,534	103,649	283,183	8,634	1,191	9,825
Net OPEB Obligation (Asset), beginning of fiscal year	6,775,257	856,200	7,631,457	6,954,791	959,849	7,914,640
Net OPEB Obligation (Asset) at fiscal year end	6,954,791	959,849	7,914,640	6,963,425	961,040	7,924,465

Appendix 1
OPEB Disclosures: Explicit and Implicit

SASM Plan: The exhibit below presents the results of Table 1E and 1F split between explicit and implicit costs. The amortization payment is calculated on the same basis as described in Table 1E.

	Prefunding Basis					
Fiscal Year End	**6/30/2015**			**6/30/2016**		
Subsidy	Explicit	Implicit	Total	Explicit	Implicit	Total
Determination of Amortization Payment						
UAAL	$ 2,419,640	$ 346,669	$ 2,766,309	$ 2,407,615	$ 347,730	$ 2,755,345
Factor	17.1939	17.1939	17.1939	16.7036	16.7036	16.7036
Payment	140,727	20,162	160,889	144,137	20,818	164,955
Annual Required Contribution (ARC)						
Normal Cost	56,505	8,128	64,633	58,341	8,392	66,733
Amortization of UAAL	140,727	20,162	160,889	144,137	20,818	164,955
Interest to 06/30	12,820	1,839	14,659	13,161	1,899	15,060
Total ARC at fiscal year end	210,052	30,129	240,181	215,639	31,109	246,748
1. Calculation of the Annual OPEB Expense						
a. ARC for current fiscal year	$ 210,052	$ 30,129	$ 240,181	$ 215,639	$ 31,109	$ 246,748
b. Interest on Net OPEB Obligation (Asset) at beginning of year	51,411	7,366	58,777	50,133	7,388	57,521
c. Adjustment to the ARC	(48,991)	(7,019)	(56,010)	(49,176)	(7,247)	(56,423)
d. **Annual OPEB Expense (a. + b. + c.)**	212,472	30,476	242,948	216,596	31,250	247,846
2. Calculation of Expected Contribution						
a. Estimated payments on behalf of retirees	100,378	-	100,378	104,448	-	104,448
b. Estimated current year's implicit subsidy	-	32,227	32,227	-	34,684	34,684
c. Estimated contribution to OPEB trust	131,754	(2,098)	129,656	111,191	(3,575)	107,616
d. **Total Expected Employer Contribution**	232,132	30,129	262,261	215,639	31,109	246,748
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	(19,660)	347	(19,313)	957	141	1,098
Net OPEB Obligation (Asset), beginning of fiscal year	790,943	113,321	904,264	771,283	113,668	884,951
Net OPEB Obligation (Asset) at fiscal year end	771,283	113,668	884,951	772,240	113,809	886,049

Appendix 2
Comparison of Discount Rates for the Fiscal Year Ending June 30, 2015

City Plan: The exhibit below compares the basic valuation results at a discount rate of 7% (as used in the June 2012 valuation), 6.5% (as used in this July 2014 valuation) and 5.5%. The amortization payment is calculated on the same basis as described in Table 1B.

City Plan					
Discount Rate	**7.00%**	**6.50%**	Increase from 7.0%	**5.50%**	Increase from 7.0%
Actuarial Present Value of Future Benefits					
Actives	$ 16,349,141	$ 18,213,292	11%	$ 22,883,489	40%
Retirees	11,002,429	11,623,300	6%	13,062,137	19%
Total	27,351,570	29,836,592	9%	35,945,626	31%
Actuarial Accrued Liability					
Actives	10,619,470	11,510,215	8%	13,614,865	28%
Retirees	11,002,429	11,623,300	6%	13,062,137	19%
Total	21,621,899	23,133,515	7%	26,677,002	23%
Actuarial Value of Assets	5,743,336	5,743,336		5,743,336	
Unfunded Actuarial Accrued Liability (UAAL)	15,878,563	17,390,179		20,933,666	
Amortization factor *	16.4133	17.1939		18.9395	
Normal Cost	630,668	712,710	13%	916,089	45%
Amortization of UAAL	967,420	1,011,415		1,105,292	
Interest to fiscal year end	111,866	112,068		111,176	
Annual Required Contribution (ARC)	1,709,954	1,836,193		2,132,557	
Estimated retiree benefits	611,348	611,348		611,348	
Estimated implicit subsidy	116,797	116,797		116,797	
Estimated Contributions to OPEB Trust	981,809	1,108,048		1,404,412	

Appendix 2
Comparison of Discount Rates for the Fiscal Year Ending June 30, 2015

SASM Plan: The exhibit below compares the basic valuation results at a discount rate of 7% (as used in the June 2012 valuation), 6.5% (as used in this July 2014 valuation) and 5.5%. The amortization payment is calculated on the same basis as described in Table 1E.

SASM Plan					
Discount Rate	**7.00%**	**6.50%**	Increase from 7.0%	**5.50%**	Increase from 7.0%
Actuarial Present Value of Future Benefits					
Actives	$ 1,377,839	$ 1,529,428	11%	$ 1,904,969	38%
Retirees	1,749,140	1,843,529	5%	2,061,091	18%
Total	3,126,979	3,372,957	8%	3,966,060	27%
Actuarial Accrued Liability					
Actives	853,328	922,780	8%	1,085,809	27%
Retirees	1,749,140	1,843,529	5%	2,061,091	18%
Total	2,602,468	2,766,309	6%	3,146,900	21%
Actuarial Value of Assets	-	-		-	
Unfunded Actuarial Accrued Liability (UAAL)	2,602,468	2,766,309		3,146,900	
Amortization factor *	16.4133	17.1939		18.9395	
Normal Cost	57,603	64,633	12%	81,871	42%
Amortization of UAAL	158,558	160,889		166,155	
Interest to fiscal year end	15,132	14,659		13,641	
Annual Required Contribution (ARC)	231,293	240,181		261,667	
Estimated retiree benefits	97,725	97,725		97,725	
Estimated implicit subsidy	32,227	32,227		32,227	
Estimated Contributions to OPEB Trust	101,341	110,229		131,715	

Appendix 3
General OPEB Disclosure and Required Supplementary Information

City Plan: The information necessary to complete the OPEB footnote in the City Plan's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions:	See Table 3
OPEB Funding Policy:	See Section F; details are provided also at the top of the exhibit in Table 1B
Annual OPEB Cost and Net OPEB Obligation:	See Table 1C
Actuarial Methods and Assumptions:	See Table 4.
Funding Status and Funding Progress:	See Section E – Basic Valuation Results

City Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	$ 3,044,000	$ 23,326,000	$ 20,282,000	13.0%	$ 9,479,000	213.97%
6/30/2012	$ 3,617,703	$ 23,641,713	$ 20,024,010	15.3%	$ 9,552,745	209.62%
7/1/2014	$ 5,743,336	$ 23,133,515	$ 17,390,179	24.8%	$ 10,783,013	161.27%

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

City Plan
OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$ 2,228,604	$ 951,023	42.67%	$ 6,170,476
6/30/2013	$ 1,948,893	$ 933,596	47.90%	$ 7,185,773
6/30/2014	*$ 2,053,037*	*$ 1,607,353*	*78.29%*	*$ 7,631,457*
6/30/2015	*$ 1,859,543*	*$ 1,576,360*	*84.77%*	*$ 7,914,640*
6/30/2016	*$ 1,921,032*	*$ 1,911,207*	*99.49%*	*$ 7,924,465*

Italicized values above are estimates which may change if contributions are other than projected.

Appendix 3
General OPEB Disclosure and Required Supplementary Information

SASM Plan: The information necessary to complete the OPEB footnote in the SASM Plan's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

Summary of Plan Provisions: See Table 3

OPEB Funding Policy: See Section F; details are provided also at the top of the exhibit in Table 2B

Annual OPEB Cost and Net OPEB Obligation: See Table 2C

Actuarial Methods and Assumptions: See Table 4.

Funding Status and Funding Progress: See Section E – Basic Valuation Results

SASM Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	$ -	$ 2,832,000	$ 2,832,000	0.0%	$ 963,512	293.92%
6/30/2012	$ -	$ 3,253,418	$ 3,253,418	0.0%	$ 957,984	339.61%
7/1/2014	$ -	$ 2,766,309	$ 2,766,309	0.0%	$ 1,181,604	234.11%

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

SASM Plan
OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2012	$ 294,241	$ 83,536	28.39%	$ 644,134
6/30/2013	$ 250,480	$ 109,109	43.56%	$ 770,579
6/30/2014	*$ 263,341*	*$ 129,656*	*49.24%*	*$ 904,264*
6/30/2015	*$ 242,948*	*$ 262,261*	*107.95%*	*$ 884,951*
6/30/2016	*$ 247,846*	*$ 246,748*	*99.56%*	*$ 886,049*

Italicized values above are estimates which may change if contributions are other than projected.

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see "Actuarial Present Value"

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency's financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual's projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to assumed exit age

Glossary
(Continued)

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that medical insurance contributions for retired annuitants and paid for by a contracting Agency be equal to the medical insurance contributions paid for its active employees, and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Glossary
(Concluded)

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility