



TOWN OF ROSS
RETIREE HEALTHCARE PLAN

BARTEL
ASSOCIATES, LLC

June 30, 2012 GASB 45 Actuarial Valuation
Final Results

Bartel Associates, LLC
John E. Bartel, President
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Matt Childs, Actuarial Analyst
May 14, 2013

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BENEFIT SUMMARY

<p>■ Eligibility</p>	<ul style="list-style-type: none"> Retire directly from Town under CalPERS (age 50 and 5 years of CalPERS service or disability) 								
<p>■ Retiree Medical Benefit</p>	<ul style="list-style-type: none"> Town contribution is PEMHCA minimum benefit: <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;">2012</td> <td>\$112 / month</td> </tr> <tr> <td>2013</td> <td>\$115 / month</td> </tr> <tr> <td>2014</td> <td>\$119 / month</td> </tr> <tr> <td>2015+</td> <td>Medical CPI increases</td> </tr> </table> 	2012	\$112 / month	2013	\$115 / month	2014	\$119 / month	2015+	Medical CPI increases
2012	\$112 / month								
2013	\$115 / month								
2014	\$119 / month								
2015+	Medical CPI increases								
<p>■ Surviving Spouse Benefit</p>	<ul style="list-style-type: none"> Retiree medical benefit continues to surviving spouse if retiree elects CalPERS joint & survivor payment option Retiree benefit paid to spouse of active employee who died while eligible to retire and who receives CalPERS survivor benefit 								
<p>■ PEMHCA Administration Fee</p>	<ul style="list-style-type: none"> 0.25% of retiree premium for 2012/13 Paid by Town and included with GASB 45 costs 								
<p>■ Other OPEB</p>	<ul style="list-style-type: none"> No Town contribution for dental, vision, life insurance, or Medicare Part B premium 								



BENEFIT SUMMARY

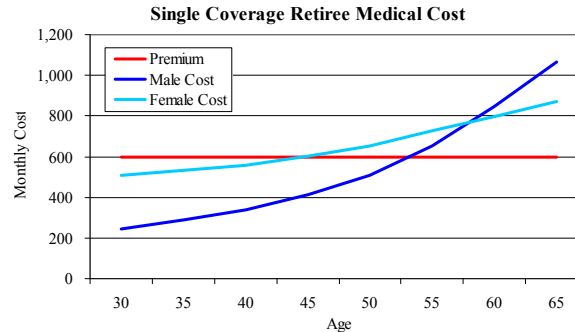
<p>■ Pay-As-You-Go Cost</p>	<table border="1"> <thead> <tr> <th><u>Fiscal Year</u></th> <th><u>Town</u></th> <th><u>CAFR</u></th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>\$10,560</td> <td>\$10,560</td> </tr> <tr> <td>2010/11</td> <td>10,014</td> <td>10,000</td> </tr> <tr> <td>2009/10</td> <td>5,978</td> <td>6,000</td> </tr> </tbody> </table>	<u>Fiscal Year</u>	<u>Town</u>	<u>CAFR</u>	2011/12	\$10,560	\$10,560	2010/11	10,014	10,000	2009/10	5,978	6,000
<u>Fiscal Year</u>	<u>Town</u>	<u>CAFR</u>											
2011/12	\$10,560	\$10,560											
2010/11	10,014	10,000											
2009/10	5,978	6,000											



BENEFIT SUMMARY

■ Implied Subsidy

- Non-Medicare eligible retirees pay blended active and retiree medical premium rates rather than actual retiree medical costs
- Active employee premiums subsidize non-Medicare eligible retiree medical costs



- GASB 45 includes active “implied subsidy” with retiree cost
- GASB 45 does not require community rated plans to value implied subsidy
- PEMHCA is a community-rated plan for most employers
- Valuation does not include implied subsidy

BENEFIT SUMMARY

■ Implied Subsidy (Continued)

- GASB 45 defers to Actuarial Standards of Practice (ASOP) for implied subsidy
- In April 2012, American Academy of Actuaries’ Actuarial Standards Board released exposure draft of revised ASOP No. 6 regarding retiree healthcare obligations
- Revised ASOP would require implied subsidy be valued for community-rated plans
- Proposed final ASOP expected during 2013

DATA SUMMARY

Participants - June 30, 2012

Participants¹	Misc	Police	Fire	Total
■ Actives	8	8	0	16
• Average Age	58.9	42.3	n/a	50.6
• Average Town Service	9.4	6.0	n/a	7.7
• Average Town Hire Age	49.5	36.3	n/a	42.9
• Average PERS Hire Age	47.8	32.4	n/a	40.1
• Average Pay	\$ 91,600	\$ 97,800	n/a	\$ 94,700
• Total Payroll	733,000	782,000	n/a	1,515,000
■ Retirees				
• Service Retirees	3	3	2	8
• Disabled Retirees	0	3	1	4
• Surviving Spouses	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>
• Total	4	7	4	15
• Average Age	72.1	65.4	66.2	67.4
• Average Retirement Age				
➢ Service Retirees	59.7	57.3	56.5	58.0
➢ Disabled Retirees	n/a	50.1	55.0	51.3

¹ Misc actives includes current Town Manager who was hired on 7/2/12. Police actives includes Police Chief. Fire retirees includes former Fire Chief who retired on 7/2/13.

DATA SUMMARY

Participants - June 30, 2009

Participants	Misc	Police	Fire	Total
■ Actives	8	8	10	26
• Average Age	56.7	42.7	37.7	45.1
• Average Town Service	9.2	10.3	10.5	10.0
• Average Pay	\$ 85,800	\$ 84,000	\$ 79,200	\$ 82,700
• Total Payroll	686,000	672,000	792,000	2,150,000
■ Retirees				
• Service Retirees	2	1	1	4
• Disabled Retirees	0	1	0	1
• Surviving Spouses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Total	2	2	1	5
• Average Age	65.2	68.5	67.9	67.1
• Average Retirement Age				
➢ Service Retirees	57.2	62.4	57.6	58.6
➢ Disabled Retirees	n/a	60.6	n/a	60.6

DATA SUMMARY

Active Participant Reconciliation

Participants	Actives			
	Misc	Police	Fire	Total
■ June 30, 2009	8	8	10	26
• Terminations	(1)	0	(8)	(9)
• New Retirees & Survivors	(1)	(2)	(2)	(5)
• New Hires	2	2	0	4
■ June 30, 2012	8	8	0	16

DATA SUMMARY

Retiree Participant Reconciliation

Participants	Retirees			
	Service	Disabled	Survivors	Total
■ June 30, 2009	4	1	0	5
• New Retirees & Survivors	3	2	0	5
• Retiree Deaths with Survivor	0	(1)	1	-
• Data Corrections - Covered	1	0	0	1
• Data Corrections - Waived	0	2	2	4
■ June 30, 2012	8	4	3	15

RESULTS

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations (Amounts in 000's)	<u>6/30/09 Valuation</u>		<u>6/30/12 Valuation</u>		
	Actual 6/30/09	Projected 6/30/12	Actual 6/30/12	Projected 6/30/13	Projected 6/30/14
■ Discount Rate	4.25%	4.25%	4.00%	4.00%	4.00%
■ PVB					
• Actives	\$ 692	n/a	\$ 439	n/a	n/a
• Retirees	<u>140</u>	<u>n/a</u>	<u>353</u>	<u>n/a</u>	<u>n/a</u>
• Total	832	913	792	810	827
■ AAL					
• Actives	277	n/a	153	n/a	n/a
• Retirees	<u>140</u>	<u>n/a</u>	<u>353</u>	<u>n/a</u>	<u>n/a</u>
• Total	417	585	506	547	588
■ Actuarial Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
■ Unfunded AAL	417	585	506	547	588
■ Normal Cost	44	47	34	35	36
■ Normal Cost % Pay	2.0%	2.0%	2.2%	2.2%	2.2%
■ Pay-As-You-Go	7	13	13	15	17

RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	AAL
■ 6/30/09 Actual	\$ 417
■ 6/30/12 Expected	585
■ Experience Losses (Gains)	
• Actual versus expected PEMHCA minimum	(12)
• Demographic & other including Fire transfer	<u>(110)</u>
• Total experience losses (gains)	(122)
■ Assumption Changes	
• Discount rate	20
• Projected mortality improvement	22
• PEMHCA administration fee	(5)
• CalPERS hire date	4
• Preretirement survivor death benefit	<u>2</u>
• Total Assumption Changes	43
■ Total Changes	(79)
■ 6/30/12 Actual	506

RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	<u>6/30/09 Valuation</u>			<u>6/30/12 Valuation</u>		
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
■ ARC - \$						
• Normal Cost	\$ 44	\$ 45	\$ 47	\$ 34	\$ 35	\$ 36
• UAAL Amort	<u>17</u>	<u>19</u>	<u>22</u>	<u>21</u>	<u>24</u>	<u>27</u>
• Total ARC	61	64	69	55	59	63
■ Projected Payroll²	2,220	2,292	2,367	1,564	1,615	1,668
■ ARC - %						
• Normal Cost	2.0%	2.0%	2.0%	2.2%	2.2%	2.2%
• UAAL Amort	<u>0.7%</u>	<u>0.8%</u>	<u>0.9%</u>	<u>1.4%</u>	<u>1.5%</u>	<u>1.6%</u>
• Total ARC %	2.7%	2.8%	2.9%	3.5%	3.7%	3.8%
■ UAAL Amort Years	30	29	28	27	26	25

² Reported payroll increased 1 year using the aggregate payroll increase assumption of 3.25% per year.



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RESULTS

Estimated Net OPEB Obligation (NOO) Projection

Estimated Net OPEB Obligation (Amounts in 000's)	Audit 2009/10	Audit 2010/11	Audit 2011/12	Est 2012/13	Est 2013/14	Est 2014/15
■ Discount Rate	4.25%	4.25%	4.25%	4.00%	4.00%	4.00%
■ NOO at Beginning of Year	\$ 0	\$ 55	\$ 111	\$ 174	\$ 216	\$ 260
■ Annual OPEB Cost						
• Annual Required Contribution	61	64	69	55	59	63
• Interest on NOO	0	2	4	7	9	10
• NOO Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7)</u>	<u>(9)</u>	<u>(12)</u>
• Annual OPEB Cost	61	66	73*	55	59	62
■ Contributions						
• Town Benefit Payments ³	6	10	11	13	15	17
• Trust Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Total Contributions	6	10	11	13	15	17
■ NOO at End of Year	55	111	174	216	260	305
■ NOO Amortization Years	30	29	28	27	26	25
■ NOO Amortization Factor	n/a	n/a	n/a	23.67	22.87	22.07

³ Estimated contributions for years after 2011/12. Estimated PEMHCA administration expenses are included with estimated cash benefit payments. Estimated items other than the ARC must be revised when actual contributions are known.



May 14, 2013



RESULTS

No Pre-Funding Projection

4.00% Discount Rate

(Amounts in 000's)

Fiscal Year End	Begin Year NOO	ARC	AOC	Town Contribution			Payroll	ARC % of Pay	BOY UAAL	UAAL % of Pay
				Benefit Pmts	Trust Funding	Town Contr				
2013	\$174	\$55	\$55	\$13	\$ 0	\$13	\$1,564	3.5%	\$506	32%
2014	216	59	59	15	0	15	1,615	3.7%	547	34%
2015	260	63	62	17	0	17	1,668	3.8%	588	35%
2016	305	68	65	18	0	18	1,722	3.9%	633	37%
2017	352	72	69	20	0	20	1,778	4.1%	678	38%
2018	401	77	73	22	0	22	1,835	4.2%	724	40%
2019	453	83	77	23	0	23	1,895	4.4%	772	41%
2020	506	89	81	25	0	25	1,957	4.5%	821	42%
2021	561	95	85	27	0	27	2,020	4.7%	871	43%
2022	619	102	89	29	0	29	2,086	4.9%	923	44%

CERBT RESULTS

CERBT Funds

CERBT Fund	Fund #1	Fund #2	Fund #3
■ CERBT Asset Allocation			
• Equity	66%	50%	32%
• Fixed Income	18%	24%	42%
• Inflation Linked Bonds	5%	15%	15%
• Real Estate	8%	8%	8%
• Commodities	3%	3%	3%
■ CalPERS Expected Returns			
• Expected Return for Years 1-10	7.10%	6.50%	5.75%
• Expected Return for Years 11-20	8.32%	7.85%	7.22%
• Expected Return for Years 1-20	7.61%	7.06%	6.39%

CERBT RESULTS

CERBT Funds

CERBT Fund	Fund #1	Fund #2	Fund #3
■ CalPERS Confidence Levels Years 1-20 <ul style="list-style-type: none"> • 75% Confidence Level • 50% Confidence Level • 25% Confidence Level 	5.80%	5.60%	5.25%
■ Discount Rate - 55% Confidence Level <ul style="list-style-type: none"> • Recommended Discount Rate • Margin for Adverse Deviation 	7.61%	7.06%	6.39%
■ Discount Rate - 60% Confidence Level <ul style="list-style-type: none"> • Recommended Discount Rate • Margin for Adverse Deviation 	9.43%	8.52%	7.47%
<ul style="list-style-type: none"> • Recommended Discount Rate • Margin for Adverse Deviation 	7.25%	6.75%	6.25%
<ul style="list-style-type: none"> • Recommended Discount Rate • Margin for Adverse Deviation 	0.36%	0.31%	0.14%
<ul style="list-style-type: none"> • Recommended Discount Rate • Margin for Adverse Deviation 	7.00%	6.50%	6.00%
<ul style="list-style-type: none"> • Recommended Discount Rate • Margin for Adverse Deviation 	0.61%	0.56%	0.39%



CERBT RESULTS

CERBT Funding

June 30, 2012

(Amounts in 000's)

■ CERBT Fund	CERBT #1	CERBT #2	CERBT #3	No Funding
■ Discount Rate	7.25%	6.75%	6.25%	4.00%
■ Present Value of Benefits	\$ 432	\$ 468	\$ 511	\$ 792
■ Funded Status				
• Actuarial Accrued Liability	317	337	361	506
• Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Unfunded AAL	317	337	361	506
■ ARC 2012/13				
• Normal Cost	18	20	22	34
• UAAL Amortization ⁴	<u>20</u>	<u>20</u>	<u>20</u>	<u>21</u>
• ARC ⁵	38	40	42	55
• ARC % of Payroll	2.4%	2.6%	2.7%	3.5%

⁴ 27-year amortization of UAAL.

⁵ 2012/13 ARC is \$38,000, 2013/14 ARC is \$39,000, and 2014/15 ARC is \$41,000.



ACTUARIAL CERTIFICATION

This report presents the Town of Ross Retiree Healthcare Plan ("Plan") June 30, 2012 actuarial valuation. The purpose of this valuation is to:

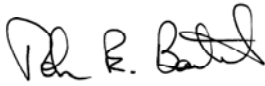
- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2012 Benefit Obligations,
- Determine the Plan's June 30, 2012 Funded Status, and
- Calculate the 2012/13, 2013/14 and 2014/15 Annual Required Contributions.

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 District 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 District as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

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

Respectfully submitted,



John E. Bartel, ASA, MAAA, FCA
President
Bartel Associates, LLC
May 14, 2013



Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
May 14, 2013



EXHIBITS

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PREMIUMS

2012 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$711.10	\$1,422.20	\$1,848.86	\$337.99	\$675.98	\$1,013.97
Blue Shield NetValue	611.59	1,223.18	1,590.13	337.99	675.98	1,013.97
Kaiser	610.44	1,220.88	1,587.14	277.81	555.62	833.43
PERS Choice	574.15	1,148.30	1,492.79	383.44	766.88	1,150.32
PERS Select	487.39	974.78	1,267.21	383.44	766.88	1,150.32
PERSCare	1,029.23	2,058.46	2,676.00	432.43	864.86	1,297.29
PORAC	556.00	1,041.00	1,323.00	418.00	833.00	1,331.00



PREMIUMS

2013 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$784.63	\$1,569.26	\$2,040.04	\$261.32	\$522.64	\$783.96
Blue Shield NetValue	670.21	1,340.42	1,742.55	261.32	522.64	783.96
Kaiser	668.63	1,337.26	1,738.44	288.37	576.74	865.11
PERS Choice	667.03	1,334.06	1,734.28	325.74	651.48	977.22
PERS Select	487.20	974.40	1,266.72	325.74	651.48	977.22
PERSCare	1,083.11	2,166.22	2,816.09	370.43	740.86	1,111.29
PORAC	581.00	1,088.00	1,382.00	418.00	833.00	1,331.00



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	Actives	Retirees	
		< 65	≥ 65
Blue Shield	7%	0%	17%
Blue Shield Net Value	0%	0%	0%
Kaiser	79%	100%	50%
PERS Choice	14%	0%	0%
PERS Select	0%	0%	0%
PERSCare	0%	0%	33%
PORAC	0%	0%	0%
Total	100%	100%	100%

PARTICIPANT STATISTICS

Active Medical Coverage

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield	1				1
Kaiser	2	1	8		11
PERS Choice		1	1		2
Waived				2	2
Total	3	2	9	2	16
Election %	22%	14%	64%		
Waived %				13%	

PARTICIPANT STATISTICS

Retiree Medical Coverage
Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Kaiser			3		3
Waived				2	2
Total	0	0	3	2	5
Election %	0%	0%	60%		
Waived %				40%	

PARTICIPANT STATISTICS

Retiree Medical Coverage
Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield	1				1
Kaiser	1	2			3
PERSCare	1	1			2
Waived				4	4
Total	3	3	0	4	10
Election %	50%	50%	0%		
Waived %				40%	

PARTICIPANT STATISTICS

Actives by Age and Town Service
Miscellaneous

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

PARTICIPANT STATISTICS

Actives by Age and Town Service
Safety

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

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation
<p>■ Valuation Date</p>	<ul style="list-style-type: none"> • June 30, 2009 • 2009/10, 2010/11, and 2011/12 ARCs • ARC calculated as of beginning of the year with interest to end of year • No lag period between valuation date and first year ARC 	<ul style="list-style-type: none"> • June 30, 2012 • 2012/13, 2013/14, and 2014/15 ARCs • ARC calculated as of beginning of the year with interest to end of year • No lag period between valuation date and first fiscal year ARC
<p>■ Funding Policy</p>	<ul style="list-style-type: none"> • Pay-as-you-go funding 	<ul style="list-style-type: none"> • Same
<p>■ Discount Rate</p>	<ul style="list-style-type: none"> • 4.25% - not prefunded, assets invested in Town's investment fund 	<ul style="list-style-type: none"> • 4.00% - not prefunded, assets invested in Town's investment fund
<p>■ General Inflation</p>	<ul style="list-style-type: none"> • 3% annually • Basis for aggregate payroll and discount rate assumptions 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation
<p>■ Aggregate Payroll Increases</p>	<ul style="list-style-type: none"> • 3.25% annually • Inflation plus 0.25% • For Normal Cost calculation and UAAL amortization 	<ul style="list-style-type: none"> • Same
<p>■ Merit Payroll Increases</p>	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation 	<ul style="list-style-type: none"> • Same
<p>■ PEMHCA Minimum Increases</p>	<ul style="list-style-type: none"> • 4.5% annually 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation															
<ul style="list-style-type: none"> ■ CalPERS Service 	<ul style="list-style-type: none"> • Town service plus ½ service between age 30 and Town hire date • Used for CalPERS demographic tables which are based on total CalPERS service 	<ul style="list-style-type: none"> • Actual CalPERS service • Used for CalPERS demographic tables which are based on total CalPERS service 															
<ul style="list-style-type: none"> ■ Mortality, Termination, Disability 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Mortality improvement projection Scale AA. Sample annual longevity increases: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th><u>Age</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr> <td>50</td> <td>1.8%</td> <td>1.7%</td> </tr> <tr> <td>60</td> <td>1.6%</td> <td>0.5%</td> </tr> <tr> <td>70</td> <td>1.5%</td> <td>0.5%</td> </tr> <tr> <td>80</td> <td>1.0%</td> <td>0.7%</td> </tr> </tbody> </table> 	<u>Age</u>	<u>Male</u>	<u>Female</u>	50	1.8%	1.7%	60	1.6%	0.5%	70	1.5%	0.5%	80	1.0%	0.7%
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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation																																																																
<ul style="list-style-type: none"> ■ Service Retirement 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th><u>Misc</u></th> <th><u>Fire</u></th> <th><u>Police</u></th> </tr> </thead> <tbody> <tr> <td>PERS</td> <td>2%@55</td> <td>3%@55</td> <td>3%@55</td> </tr> <tr> <td>Hire</td> <td>39</td> <td>31</td> <td>27</td> </tr> <tr> <td>ERA</td> <td>60</td> <td>57</td> <td>56</td> </tr> </tbody> </table> • Hire is assumed CalPERS hire age 		<u>Misc</u>	<u>Fire</u>	<u>Police</u>	PERS	2%@55	3%@55	3%@55	Hire	39	31	27	ERA	60	57	56	<table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th><u>CalPERS</u></th> <th><u>Misc</u></th> <th><u>ERA</u>⁶</th> </tr> </thead> <tbody> <tr> <td>CalPERS Hire Age</td> <td></td> <td>45</td> <td></td> </tr> <tr> <td>Hire < 1/1/13</td> <td></td> <td>2%@55</td> <td>61.0</td> </tr> <tr> <td>Hire ≥ 1/1/13</td> <td></td> <td></td> <td></td> </tr> <tr> <td> > Classic Member</td> <td></td> <td>2%@60</td> <td>62.0</td> </tr> <tr> <td> > New Member</td> <td></td> <td>2.5%@67</td> <td>62.4</td> </tr> </tbody> </table> <table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th><u>CalPERS</u></th> <th><u>Police</u></th> <th><u>ERA</u></th> </tr> </thead> <tbody> <tr> <td>CalPERS Hire Age</td> <td></td> <td>30</td> <td></td> </tr> <tr> <td>Hire < 1/1/13</td> <td></td> <td>3%@55</td> <td>56.8</td> </tr> <tr> <td>Hire ≥ 1/1/13</td> <td></td> <td></td> <td></td> </tr> <tr> <td> > Classic Member</td> <td></td> <td>3%@55</td> <td>56.8</td> </tr> <tr> <td> > New Member</td> <td></td> <td>2.7%@57</td> <td>57.7</td> </tr> </tbody> </table>		<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u> ⁶	CalPERS Hire Age		45		Hire < 1/1/13		2%@55	61.0	Hire ≥ 1/1/13				> Classic Member		2%@60	62.0	> New Member		2.5%@67	62.4		<u>CalPERS</u>	<u>Police</u>	<u>ERA</u>	CalPERS Hire Age		30		Hire < 1/1/13		3%@55	56.8	Hire ≥ 1/1/13				> Classic Member		3%@55	56.8	> New Member		2.7%@57	57.7
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⁶ Expected Retirement Ages (ERA) for new member formulas based on CalPERS retirement assumptions for their AB 340 actuarial cost analysis.



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation
<ul style="list-style-type: none"> ■ Participation at Retirement 	<ul style="list-style-type: none"> • Actives & surviving spouse: <ul style="list-style-type: none"> ➢ Covered - 75% ➢ Waived - 75% 	<ul style="list-style-type: none"> • Actives & surviving spouse: <ul style="list-style-type: none"> ➢ Covered - 75% ➢ Waived - 75% • Retirees & surviving spouse: <ul style="list-style-type: none"> ➢ Covered - 100% ➢ Waived < 65 - 20% at 65 ➢ Waived ≥ 65 - 0%
<ul style="list-style-type: none"> ■ Marital Status at Retirement 	<ul style="list-style-type: none"> • Actives <ul style="list-style-type: none"> ➢ Covered - based on current coverage election ➢ Waived - 80% married • Retirees - based on spouse information provided 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • 3% load 	<ul style="list-style-type: none"> • 0.25% of premium



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation																																				
<ul style="list-style-type: none"> ■ Medical Trend PEMHCA administration fee calculation 	<ul style="list-style-type: none"> • n/a 	<p align="center"><u>Increase from Prior Year</u></p> <table border="0"> <thead> <tr> <th align="left"><u>Calendar Year</u></th> <th align="center"><u>Non-Medicare</u></th> <th align="center"><u>Medicare</u></th> </tr> </thead> <tbody> <tr> <td></td> <td align="center" colspan="2"><u>All Plans</u></td> </tr> <tr> <td>2012</td> <td align="center" colspan="2">Premiums</td> </tr> <tr> <td>2013</td> <td align="center" colspan="2">Premiums</td> </tr> <tr> <td>2014</td> <td align="center">8.5%</td> <td align="center">8.9%</td> </tr> <tr> <td>2015</td> <td align="center">8.0%</td> <td align="center">8.3%</td> </tr> <tr> <td>2016</td> <td align="center">7.5%</td> <td align="center">7.8%</td> </tr> <tr> <td>2017</td> <td align="center">7.0%</td> <td align="center">7.2%</td> </tr> <tr> <td>2018</td> <td align="center">6.5%</td> <td align="center">6.7%</td> </tr> <tr> <td>2019</td> <td align="center">6.0%</td> <td align="center">6.1%</td> </tr> <tr> <td>2020</td> <td align="center">5.5%</td> <td align="center">5.6%</td> </tr> <tr> <td>2021+</td> <td align="center">5.0%</td> <td align="center">5.0%</td> </tr> </tbody> </table>	<u>Calendar Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>		<u>All Plans</u>		2012	Premiums		2013	Premiums		2014	8.5%	8.9%	2015	8.0%	8.3%	2016	7.5%	7.8%	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%
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<ul style="list-style-type: none"> ■ Medical Plan at Retirement PEMHCA administration fee calculation 	<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • Covered - same as current plan election • Waived - Kaiser 																																				



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation
<p>■ Retiree Coverage Election at Retirement PEMHCA administration fee calculation</p>	<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • Covered - based on current coverage election • Waived - 80% married and elect 2-party coverage
<p>■ Spouse & Dependent Coverage at Retirement PEMHCA administration fee calculation</p>	<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • Spouse coverage: <ul style="list-style-type: none"> ➢ 100% elect CalPERS joint and survivor annuity ➢ OPEB coverage assumption same as retiree assumption • Current retirees - current coverage until age 65

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2009 Valuation	June 30, 2012 Valuation
<p>■ Medicare Eligibility PEMHCA administration fee calculation</p>	<ul style="list-style-type: none"> • n/a 	<ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • Medicare eligible retirees will elect Part B coverage

ACTUARIAL METHODS

Method	June 30, 2012 Valuation
■ Cost Method	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll • Town hire date used for entry age
■ Amortization Method	<ul style="list-style-type: none"> • Level percent of payroll
■ Amortization Period for ARC & NOO	<ul style="list-style-type: none"> • 30-year fixed (closed) period for 6/30/09 UAAL for 2009/10 ARC • 27-year fixed (closed) period for 6/30/12 UAAL for 2012/13 ARC • Amortization period decreases by one year each fiscal year • When amortization period reaches 15 years, experience gains and losses will be amortized over fixed (closed) 15-year periods and plan and assumption changes will be amortized over fixed (closed) 20-year periods

ACTUARIAL METHODS

Method	June 30, 2012 Valuation
■ Implied Subsidy	<ul style="list-style-type: none"> • Employer cost for allowing non-Medicare eligible retirees to participate at active rates • Community-rated plans are not required under GASB 45 to value an implied subsidy • PEMHCA is a community-rated plan for most employers • Valuation does not include an implied subsidy
■ Future New Entrants	<ul style="list-style-type: none"> • Valuation Results - Closed group, no new hires for first year ARC • Projections and second/subsequent year ARCs: <ul style="list-style-type: none"> ➢ Actives - Total pay increased in accordance with aggregate payroll assumption ➢ Retirees - no additional retirees from new hires over 10-year projection period
■ Rounding	<ul style="list-style-type: none"> • Numbers in this report may not add to totals due to rounding

DEFINITIONS

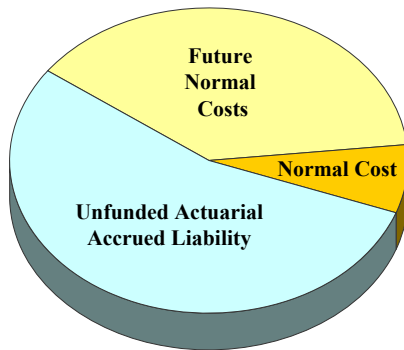
<p>■ GASB 45 Accrual Accounting</p>	<ul style="list-style-type: none"> ● Project future employer-provided benefit cash flows for current active employees and current retirees ● Discount projected cash flow to valuation date using discount rate (assumed return on assets used to pay benefits) and other actuarial assumptions to determine present value of projected future benefits (PVB) ● Allocate PVB to past, current, and future periods using the actuarial cost method ● Actuarial cost method used for this valuation is the Entry Age Normal Cost method which determines Normal Cost as a level percentage of payroll (same method used by CalPERS) ● Normal Cost is amount allocated to current fiscal year ● Actuarial Accrued Liability (AAL) is amount allocated to prior service with employer ● Unfunded AAL (UAAL) is AAL less plan assets pre-funded in a segregated and restricted trust
<p>■ PayGo Cost</p>	<ul style="list-style-type: none"> ● Cash subsidy is the pay-as-you-go employer benefit payments for retirees ● Implied subsidy is the difference between the actual cost of retiree benefits and retiree premiums subsidized by active employee premiums ● No implied subsidy included in the valuation



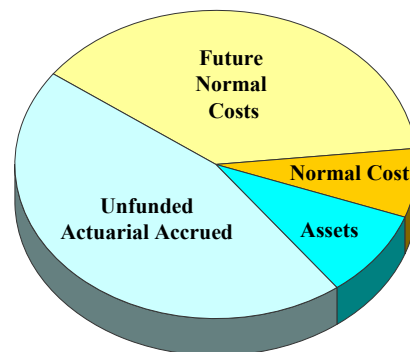
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

■ Annual Required Contribution (ARC)	<ul style="list-style-type: none">● “Required contribution” for the current period including:<ul style="list-style-type: none">➢ Normal Cost➢ Amortization of:<ul style="list-style-type: none">- Initial UAAL- AAL for plan, assumption, and method changes- Experience gains/losses (difference between expected and actual)- Contribution gains/losses (difference between ARC and contributions)● ARC in excess of pay-as-you-go costs not required to be funded
■ Net OPEB Obligation (NOO)	<ul style="list-style-type: none">● Net OPEB Obligation is the accumulated amounts expensed but not funded● Net OPEB Asset if amounts funded exceed those expensed
■ Annual OPEB Cost (AOC)	<ul style="list-style-type: none">● Expense for the current period including:<ul style="list-style-type: none">➢ ARC➢ Interest on NOO➢ Adjustment of NOO● NOO adjustment prevents double counting of expense since ARCs include an amortization of prior contribution gains/losses previously expensed

DEFINITIONS



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