



TOWN OF ROSS
RETIREE HEALTHCARE PLAN

BARTTEL
ASSOCIATES, LLC

June 30, 2013 Actuarial Valuation
Final Results

Bartel Associates, LLC
John E. Bartel, President
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February 25, 2014

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BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Eligibility 	<ul style="list-style-type: none"> • Retire directly from Town under CalPERS (age 50 and 5 years of CalPERS service or disability) 						
<ul style="list-style-type: none"> ■ Retiree Medical Benefit 	<ul style="list-style-type: none"> • Town contribution is the PEMHCA minimum benefit: <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;">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> 	2013	\$115 / month	2014	\$119 / month	2015+	Medical CPI increases
2013	\$115 / month						
2014	\$119 / month						
2015+	Medical CPI increases						
<ul style="list-style-type: none"> ■ Surviving Spouse Benefit 	<ul style="list-style-type: none"> • Retiree benefit paid to surviving spouse of retiree who elected 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 						
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • 0.33% of retiree premium for 2013/14 • Paid by Town and included with GASB 45 costs 						
<ul style="list-style-type: none"> ■ Other OPEB 	<ul style="list-style-type: none"> • No Town contribution for dental, vision, life insurance, or Medicare Part B premium 						



BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Pay-As-You-Go Cost 	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Fiscal Year</u></th> <th style="text-align: center;"><u>Town</u></th> <th style="text-align: center;"><u>Audit</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td style="text-align: right;">\$13,284</td> <td style="text-align: right;">\$13,284</td> </tr> <tr> <td>2011/12</td> <td style="text-align: right;">10,560</td> <td style="text-align: right;">10,560</td> </tr> <tr> <td>2010/11</td> <td style="text-align: right;">10,014</td> <td style="text-align: right;">10,000</td> </tr> </tbody> </table>	<u>Fiscal Year</u>	<u>Town</u>	<u>Audit</u>	2012/13	\$13,284	\$13,284	2011/12	10,560	10,560	2010/11	10,014	10,000													
<u>Fiscal Year</u>	<u>Town</u>	<u>Audit</u>																								
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<ul style="list-style-type: none"> ■ Town Contributions 	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Fiscal Year</u></th> <th style="text-align: center;"><u>Audit PayGo</u></th> <th style="text-align: center;"><u>CERBT Prefunding</u></th> <th style="text-align: center;"><u>Audit Contribution</u></th> <th style="text-align: center;"><u>ARC</u></th> </tr> </thead> <tbody> <tr> <td>2013/14 Est</td> <td style="text-align: right;">\$13,000</td> <td style="text-align: right;">\$26,000</td> <td style="text-align: right;">\$39,000</td> <td style="text-align: right;">\$39,000</td> </tr> <tr> <td>2012/13</td> <td style="text-align: right;">13,284</td> <td style="text-align: right;">0</td> <td style="text-align: right;">13,284</td> <td style="text-align: right;">55,000</td> </tr> <tr> <td>2011/12</td> <td style="text-align: right;">10,560</td> <td style="text-align: right;">0</td> <td style="text-align: right;">10,560</td> <td style="text-align: right;">69,000</td> </tr> <tr> <td>2010/11</td> <td style="text-align: right;">10,000</td> <td style="text-align: right;">0</td> <td style="text-align: right;">10,000</td> <td style="text-align: right;">64,000</td> </tr> </tbody> </table>	<u>Fiscal Year</u>	<u>Audit PayGo</u>	<u>CERBT Prefunding</u>	<u>Audit Contribution</u>	<u>ARC</u>	2013/14 Est	\$13,000	\$26,000	\$39,000	\$39,000	2012/13	13,284	0	13,284	55,000	2011/12	10,560	0	10,560	69,000	2010/11	10,000	0	10,000	64,000
<u>Fiscal Year</u>	<u>Audit PayGo</u>	<u>CERBT Prefunding</u>	<u>Audit Contribution</u>	<u>ARC</u>																						
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2010/11	10,000	0	10,000	64,000																						
<ul style="list-style-type: none"> ■ Implied Subsidy 	<ul style="list-style-type: none"> • GASB 45 does not require implied subsidy be included for agencies participating in community-rated plans • PEMHCA considered community-rated plan for Town • May be required by Actuarial Standards of Practice and GASB for 6/30/15 valuation • Implied subsidy not included in valuation results 																									



DATA SUMMARY

Participants - June 30, 2013

Participants	Misc	Police	Fire	Total
■ Actives	6	8	0	14
• Average Age	58.9	43.3	n/a	50.0
• Average Town Service	10.3	7.0	n/a	8.4
• Average Town Hire Age	48.6	36.3	n/a	41.6
• Average CalPERS Hire Age	46.8	32.4	n/a	38.6
• Average Pay	\$ 89,700	\$ 95,400	n/a	\$ 93,000
• Total Payroll	538,000	763,000	n/a	1,302,000
■ Retirees				
• Service Retirees	3	3	2	8
• Disabled Retirees	0	3	1	4
• Surviving Spouses	<u>2</u>	<u>1</u>	<u>1</u>	<u>4</u>
• Total	5	7	4	16
• Average Age	68.6	66.4	67.2	67.3
• Average Retirement Age				
> Service Retirees	59.7	57.3	56.5	58.0
> Disabled Retirees	n/a	50.1	55.0	51.3

DATA SUMMARY

Participants - June 30, 2012

Participants ¹	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 CalPERS 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

Active Participant Reconciliation

Active Participants	Actives			
	Misc	Police	Fire	Total
■ June 30, 2012	8	8	0	16
• Terminations	(1)	(0)	(0)	(1)
• Deaths with Survivor	(1)	(0)	(0)	(1)
• New Retirees	(0)	(0)	(0)	(0)
• New Hires	0	0	0	0
■ June 30, 2013	6	8	0	14

DATA SUMMARY

Retiree Participant Reconciliation

Retired Participants	Retirees			
	Service	Disabled	Survivors	Total
■ June 30, 2012	8	4	3	15
• New Retirees	0	0	0	0
• New Survivors	0	0	1	1
• Deaths	(0)	(0)	(0)	(0)
■ June 30, 2013	8	4	4	16

RESULTS

Actuarial Obligations

Actuarial Obligations (Amounts in 000's)	<u>6/30/12 Valuation</u>		<u>6/30/13 Valuation</u>		
	Actual 6/30/12	Projected 6/30/13	Actual 6/30/13	Projected 6/30/14	Projected 6/30/15
■ Discount Rate	4.00%	7.25%	7.25%	7.25%	7.25%
■ Present Value of Benefits					
• Actives	\$439	n/a	\$174	n/a	n/a
• Retirees	<u>353</u>	<u>n/a</u>	<u>234</u>	<u>n/a</u>	<u>n/a</u>
• Total	792	\$450	408	\$423	\$438
■ Actuarial Accrued Liability					
• Actives	153	n/a	83	n/a	n/a
• Retirees	<u>353</u>	<u>n/a</u>	<u>234</u>	<u>n/a</u>	<u>n/a</u>
• Total	506	345	317	339	362
■ Actuarial Value of Assets²	<u>0</u>	<u>0</u>	<u>0</u>	<u>28</u>	<u>49</u>
■ Unfunded AAL	506	345	317	311	314
■ Normal Cost	34	19	14	14	15
■ Normal Cost % Pay	2.2%	1.2%	1.1%	1.1%	1.1%
■ Pay-As-You-Go	13	15	14	15	17

² 6/30/14 estimated plan assets is the \$26,000 prefunding contribution made on 7/11/13 to CERBT with expected earnings at 7.25% to 6/30/14.



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RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	AAL
■ 6/30/12 Actual Actuarial Accrued Liability (4.00% Discount Rate)	\$506
■ 6/30/13 Expected Actuarial Accrued Liability (7.25% Discount Rate)	345
■ Experience Losses (Gains)	
• Demographic & other	(9)
■ Assumption Changes	
• Participation at retirement	(22)
• PEMHCA administration fee	3
■ Total Changes	(28)
■ 6/30/13 Actual Actuarial Accrued Liability	317



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RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	6/30/12 Valuation		6/30/13 Valuation	
	2012/13	2013/14	2014/15	2015/16
■ Discount Rate	4.00%	7.25%	7.25%	7.25%
■ ARC - \$				
• Normal Cost	\$34	\$19	\$14	\$15
• UAAL Amortization	<u>21</u>	<u>20</u>	<u>21</u>	<u>21</u>
• Total ARC	55	39	35	36
■ Projected Payroll ³	1,564	1,615	1,344	1,388
■ ARC - %				
• Normal Cost	2.2%	1.2%	1.1%	1.1%
• UAAL Amortization	<u>1.4%</u>	<u>1.2%</u>	<u>1.5%</u>	<u>1.5%</u>
• Total ARC %	3.5%	2.4%	2.6%	2.6%
■ UAAL Amort Years	27	26	25	24

³ 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	Est 2012/13	Est 2013/14	Est 2014/15	Est 2015/16
■ Discount Rate	4.00%	7.25%	7.25%	7.25%
■ NOO at Beginning of Year	\$174,088	\$215,413	\$217,304	\$218,887
■ Annual OPEB Cost				
• Annual Required Contribution	55,000	39,000	35,000	36,000
• Interest on NOO	6,964	15,617	15,755	15,869
• NOO Adjustment	<u>(7,355)</u>	<u>(13,726)</u>	<u>(14,172)</u>	<u>(14,632)</u>
• Annual OPEB Cost	54,609	40,891	36,583	37,237
■ Contributions ⁴				
• Town Benefit Payments	13,284	13,000	15,000	17,000
• Trust Funding	<u>0</u>	<u>26,000</u>	<u>20,000</u>	<u>19,000</u>
• Total Contributions	13,284	39,000	35,000	36,000
■ NOO at End of Year	215,413	217,304	218,887	220,124
■ NOO Amortization Years	27	26	25	24
■ NOO Amortization Factor	23.668	15.694	15.334	14.959

⁴ 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.



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RESULTS

Full ARC Funding Projection

7.25% Discount Rate

(Amounts in 000's)

Fiscal Year End	Begin Year NOO	ARC	AOC	Town Contribution			Payroll	ARC % of Pay	BOY UAAL	Begin Year Fund%
				Benefit Pmts	Trust Funding	Town Contr				
2015	\$217	\$35	\$37	\$15	\$20	\$35	\$1,344	2.6%	\$311	8%
2016	219	36	37	17	19	36	1,388	2.6%	314	13%
2017	220	37	38	18	19	37	1,433	2.6%	315	18%
2018	221	38	38	20	18	38	1,480	2.6%	317	23%
2019	221	39	39	21	18	39	1,528	2.6%	317	27%
2020	221	41	40	23	18	41	1,577	2.6%	317	31%
2021	221	42	41	25	17	42	1,629	2.6%	316	35%
2022	220	43	41	26	17	43	1,682	2.6%	315	39%
2023	218	45	42	28	17	45	1,736	2.6%	312	43%
2024	215	46	43	29	17	46	1,793	2.6%	309	46%



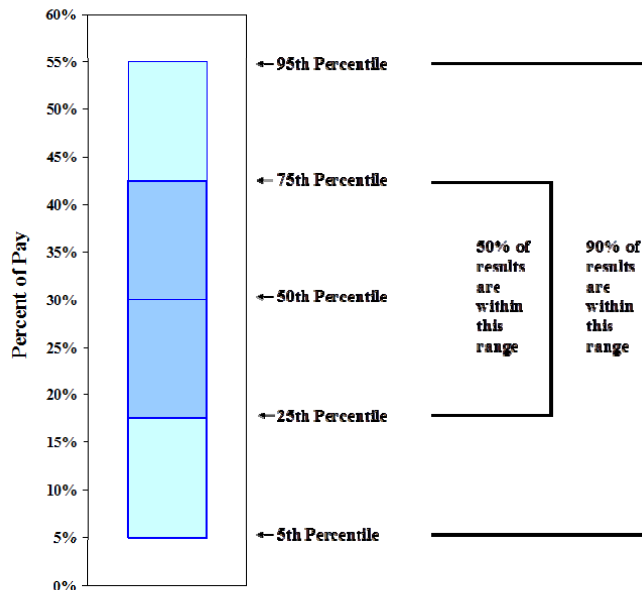
February 25, 2014

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BARTEL ASSOCIATES OPEB DATABASE

**Bartel Associates GASB 45 OPEB Database
Sample Percentile Graph**



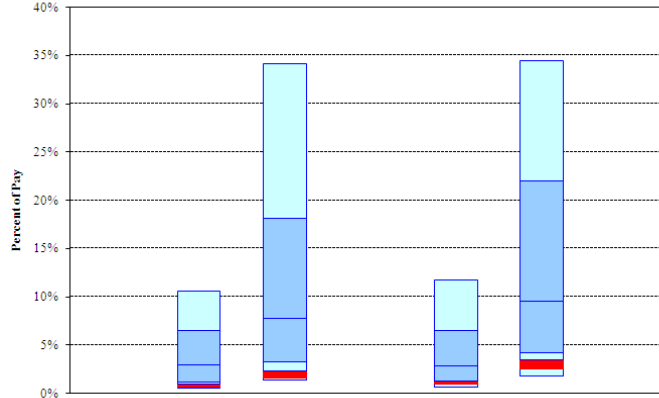
February 25, 2014

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BARTEL ASSOCIATES OPEB DATABASE

**Bartel Associates GASB 45 OPEB Database
Normal Cost & Annual Required Contribution**

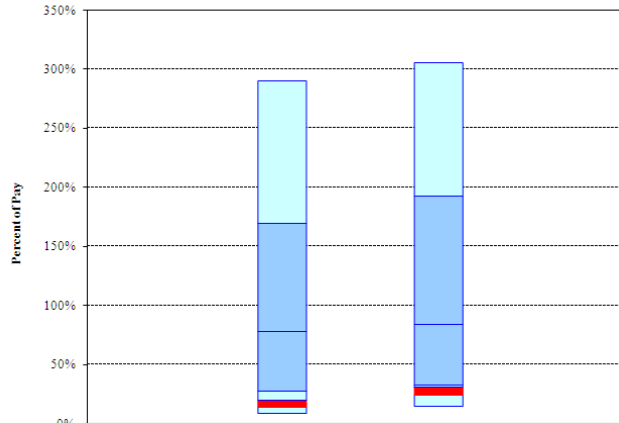


	<u>Miscellaneous</u>		<u>Safety</u>	
	<u>NC</u>	<u>ARC</u>	<u>NC</u>	<u>ARC</u>
95th Percentile	10.6%	34.2%	11.8%	34.5%
75th Percentile	6.6%	18.2%	6.6%	22.0%
50th Percentile	3.0%	7.8%	2.9%	9.6%
25th Percentile	1.2%	3.3%	1.3%	4.2%
5th Percentile	0.6%	1.4%	0.7%	1.9%
Percent of Pay	0.7%	1.8%	1.3%	3.0%
Percentile	9%	10%	22%	11%

Discount Rate = 7.25%, Average Amortization Period = 25.0 Years

BARTEL ASSOCIATES OPEB DATABASE

**Bartel Associates GASB 45 OPEB Database
Actuarial Accrued Liability**



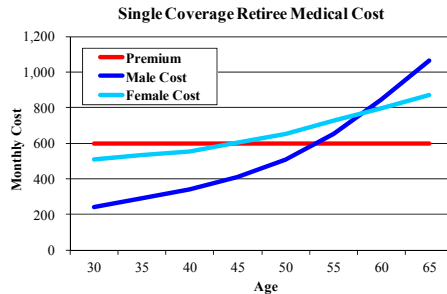
	<u>Miscellaneous</u>	<u>Safety</u>
95th Percentile	291%	306%
75th Percentile	170%	193%
50th Percentile	79%	84%
25th Percentile	28%	33%
5th Percentile	9%	16%
Percent of Pay	17%	31%
Percentile	13%	22%

Discount Rate = 7.25%

OTHER ISSUES

Implied Subsidy Blended Premium

- Active employees and non-Medicare eligible retirees pay blended premium rates rather than actual medical costs by age and gender



- Younger employee premiums subsidize older employee and non-Medicare eligible retiree medical costs
 - No subsidy for Medicare eligible retirees if premiums are determined separately from active employees and non-Medicare eligible retirees
- Employers in pooled healthcare plans may subsidize other employers' healthcare costs
 - Applies to both pooled non-Medicare eligible and Medicare eligible retirees

OTHER ISSUES

Implied Subsidy GASB 45 Accounting History

- GASB 45 includes implied subsidy with retiree costs for non community-rated plans
 - PEMHCA is a community-rated plan for most employers
 - Most PEMHCA valuations do not currently include implied subsidy
- GASB 45 defers to Actuarial Standards of Practice (ASOP) for implied subsidy:
 - In April 2012, American Academy of Actuaries' Actuarial Standards Board (ASB) released exposure draft of revised ASOP No. 6 regarding measurement of retiree healthcare obligations
 - In March 2013, ASB issued second exposure draft of revised ASOP No. 6
 - Draft revised ASOP requires implied subsidy be valued for community-rated plans
 - Proposed ASOP No. 6 effective date for valuations with measurement dates on or after 12 months after adoption
 - For Town, possibly 6/30/15 valuation for 2016/17 and 2017/18 ARCs if revised ASOP adopted by 6/30/14
- GASB has tentatively decided to include implied subsidy for all OPEB plans in its revision to GASB 45 expected June 2015
 - Likely effective for 2017/18

GASB 68 - New Employer Pension Accounting Rules

- Pension Accounting:
 - GASB 68, Accounting for Employers, was approved 6/25/12
 - Replaced GASB 27
 - Effective for fiscal years beginning after 6/15/14 (2014/15 for Town)
- Major Issues:
 - Unfunded liability on balance sheet
 - Expense calculation disconnected from contribution calculation
 - Discount rate is municipal bond rate when assets not sufficient to pay benefits
 - Immediate recognition of AAL for plan changes
 - Deferred recognition of changes in AAL for gains and losses and assumption changes over average active and inactive members' average future working lifetime
 - Deferral of investment gains and losses over 5 years
 - Disclosure of asset allocation and expected real rates of return for each asset class
 - Entry age normal cost method
- OPEB Accounting:
 - Exposure draft expected April 2014
 - Final statement expected June 2015
 - Likely effective for 2017/18

New CalPERS Funding Policy

- On 4/17/13, CalPERS Board approved funding policy changes
- Reasons:
 - Actuarial assets corridor results in volatility with extreme events
 - Long rolling smoothing and amortization periods result in slow funding progress
 - GASB 68 could have required use of slightly lower discount rate for accounting
 - Improve transparency
- Funding Method Changes:
 - Market value of assets rather than actuarial value of assets
 - Direct rate smoothing for 2013 valuations for 2015/16 contribution rates:
 - 30-year fixed amortization periods for gains and losses with 5-year ramp up, 20 years of full payments, and 5-year ramp down
 - 20-year fixed amortization periods for assumption changes with 5-year ramp, 10 years of full payments, and 5-year ramp down
- Impact:
 - Higher employer contribution rates and greater volatility in most years but less volatility in years with extreme events
 - Chief actuary can change the amortization method to level dollar for plans with decreasing payroll, such as for pooled plan side funds and plans with pre-PEPRA benefit formulas

New CalPERS Assumption Changes

- On 2/18/14, CalPERS Board approved asset allocation policy and assumption changes
- No economic assumption changes:
 - Discount rate will remain at 7.50%
 - Inflation assumption will remain at 2.75%
- Demographic assumption changes from 1997-2011 experience study:
 - Mortality - 20-year projected mortality improvement
 - Retirement - Revised rates predict more or fewer retirements over experience study period depending on pension formula:
 - Fewer retirements for Miscellaneous 2%@60 and 2%@55
 - Fewer retirements for Police 3%@55
 - Disability - Generally lower industrial disability and Miscellaneous ordinary disability rates
 - Pay increases - Lower than expected for Miscellaneous members and greater than expected for long-service Safety members

Cost Impact of New CalPERS Assumption Changes

- Impacts 2014 valuations for 2016/17 contribution rates:
 - Funding policy is 20-year amortization with 5-year ramp up
 - CalPERS sample employer rate increases:

Employee Group	Rate Increase 1 st Year	Rate Increase 5 th Year
Fire	1.2% - 1.9%	6.3% - 7.2%
Police	1.9% - 3.3%	5.3% - 9.3%
Misc 3.0%@60	1.2% - 1.9%	4.0% - 6.7%
Misc 2.7%@55	0.9% - 1.9%	3.1% - 6.5%
Misc 2.5%@55	0.6% - 1.3%	2.4% - 4.8%
Misc 2.0%@55	0.4% - 1.3%	1.3% - 5.1%
Misc 2.0%@60	0.4% - 1.0%	1.0% - 3.1%

- Estimated rate increases will be included in 6/30/13 valuations prepared in 2014
- Normal cost may increase more than 1% for some Safety group triggering PEPPRA member contribution increase

Proposed CalPERS Risk Pool Changes

- CalPERS Chief Actuary will propose Risk Pool changes in spring 2014
- Issue - Classic member Risk Pools closed to new members:
 - Results in payroll decreasing over time
 - Lower funding if payroll decreases between valuation date and contribution year
 - Results in large increases in employer rates as payroll declines
 - Contribution inequity among employers with different demographics
- Chief Actuary's likely recommendations:
 - Combine Classic and PEPRA Risk Pools into one Miscellaneous Risk Pool and one Safety Risk Pool
 - Allocate unfunded liability to each employer based on liability rather than payroll
 - Future experience gains and losses will be pooled and allocated to employers
 - Employers can pay off unfunded liability as they could with side funds
 - Calculate employer contribution towards unfunded liability as percentage of payroll but collect contributions as dollar amount
 - Continue normal cost as percentage of payroll since pools include new members
 - Likely little or no change in employer rates

ACTUARIAL CERTIFICATION

This report presents the Town of Ross Retiree Healthcare Plan ("Plan") June 30, 2013 actuarial valuation. The purpose of this valuation is to:

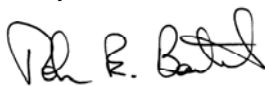
- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2013 Benefit Obligations,
- Determine the Plan's June 30, 2013 Funded Status, and
- Calculate the 2014/15 and 2015/16 Annual Required Contributions.

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 Town 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 Town 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 principles 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
 February 25, 2014



Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
 Assistant Vice President
 Bartel Associates, LLC
 February 25, 2014

EXHIBITS

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PREMIUMS

2013 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield Access +	\$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

PREMIUMS

2014 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem Select	\$657.33	\$1,314.66	\$1,709.06	\$341.12	\$682.24	\$1,023.36
Anthem Traditional	728.41	1,456.82	1,893.87	341.12	682.24	1,023.36
Blue Shield Access +	836.59	1,673.18	2,175.13	298.21	596.42	894.63
Blue Shield NetValue	704.01	1,408.02	1,830.43	298.21	596.42	894.63
Kaiser	742.72	1,485.44	1,931.07	294.97	589.94	884.91
United Healthcare	764.24	1,528.48	1,987.02	193.33	386.66	579.99
PERS Choice	690.77	1,381.54	1,796.00	307.23	614.46	921.69
PERS Select	661.52	1,323.04	1,719.95	307.23	614.46	921.69
PERSCare	720.04	1,440.08	1,872.10	327.36	654.72	982.08
PORAC	634.00	1,186.00	1,507.00	397.00	791.00	1,264.00



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	Actives	Retirees	
		< 65	≥ 65
Blue Shield	8%	0%	17%
Blue Shield Net Value	0%	0%	0%
Kaiser	84%	100%	50%
PERS Choice	8%	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	7		10
PERS Choice		1			1
Waived				2	2
Total	3	2	7	2	14
Election %	25%	17%	58%		
Waived %				14%	

PARTICIPANT STATISTICS

Retiree Medical Coverage
Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Kaiser		2	1		3
Waived				3	3
Total	0	2	1	3	6
Election %	0%	67%	33%		
Waived %				50%	

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								0
25-29								0
30-34								0
35-39								0
40-44			1					1
45-49								0
50-54	1							1
55-59			1			1		2
60-64								0
≥ 65			1		1			2
Total	1	0	3	0	1	1	0	6

PARTICIPANT STATISTICS

Actives by Age and Town Service
Police

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25								0
25-29								0
30-34		1	1					2
35-39		1	1					2
40-44								0
45-49			2					2
50-54				1				1
55-59		1						1
60-64								0
≥ 65								0
Total	0	3	4	1	0	0	0	8

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation
<p>■ Valuation Date</p>	<ul style="list-style-type: none"> • June 30, 2012 • 2012/13 and 2013/14 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 	<ul style="list-style-type: none"> • June 30, 2013 • 2014/15 and 2015/16 ARCs • ARC calculated as of beginning of the year with interest to end of year • 1-year 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 for 2012/13 • Prefund full ARC less benefit payments with CERBT #1 for 2013/14 	<ul style="list-style-type: none"> • Benefit payments currently made from Town assets • Prefund full ARC less benefit payments with CERBT #1

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ Discount Rate 	<ul style="list-style-type: none"> • 4.00% - not prefunded, assets invested in Town's investment fund 	<ul style="list-style-type: none"> • 7.25% - Full ARC funding with CERBT #1 • CalPERS' expected long-term net return on assets is 7.61% • Includes 0.36% margin for adverse deviation
<ul style="list-style-type: none"> ■ General Inflation 	<ul style="list-style-type: none"> • 3% annually • Basis for aggregate payroll and discount rate assumptions 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Aggregate Payroll Increases 	<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



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ Merit Payroll Increases 	<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
<ul style="list-style-type: none"> ■ PEMHCA Minimum Increases 	<ul style="list-style-type: none"> • 4.50% annually 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ 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"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation															
<ul style="list-style-type: none"> ■ Mortality, Termination, Disability 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Mortality improvement projection Scale AA. Sample annual longevity increases: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Male</u></th> <th style="text-align: left;"><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%	<ul style="list-style-type: none"> • Same
<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%															



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation																																				
<ul style="list-style-type: none"> ■ Service Retirement 	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>CalPERS</u></th> <th style="text-align: left;"><u>Misc</u></th> <th style="text-align: left;"><u>ERA</u>⁵</th> </tr> </thead> <tbody> <tr> <td>CalPERS Hire Age</td> <td>45</td> <td></td> </tr> <tr> <td>Hire < 1/1/13</td> <td>2%@55</td> <td>61.0</td> </tr> <tr> <td>Hire ≥ 1/1/13</td> <td></td> <td></td> </tr> <tr> <td>‣ Classic Member</td> <td>2%@60</td> <td>62.0</td> </tr> <tr> <td>‣ New Member</td> <td>2%@62</td> <td>62.4</td> </tr> <tr> <th style="text-align: left;"><u>CalPERS</u></th> <th style="text-align: left;"><u>Police</u></th> <th style="text-align: left;"><u>ERA</u></th> </tr> <tr> <td>CalPERS Hire Age</td> <td>30</td> <td></td> </tr> <tr> <td>Hire < 1/1/13</td> <td>3%@55</td> <td>56.8</td> </tr> <tr> <td>Hire ≥ 1/1/13</td> <td></td> <td></td> </tr> <tr> <td>‣ Classic Member</td> <td>3%@55</td> <td>56.8</td> </tr> <tr> <td>‣ New Member</td> <td>2.7%@57</td> <td>57.7</td> </tr> </tbody> </table>	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u> ⁵	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%@62	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	<ul style="list-style-type: none"> • Same
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⁵ Expected Retirement Ages (ERA) for new member formulas based on CalPERS retirement assumptions for their AB 340 actuarial cost analysis. 2%@62 is same as PEPRA 2.5%@67.



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation		June 30, 2013 Valuation			
■ Participation at Retirement	<u>Currently Covered</u>		<u>Currently Covered</u>			
		<u>Part < 65</u>	<u>Part ≥ 65</u>	<u>Part < 65</u>	<u>Part ≥ 65</u>	
	Actives	75%	75%	Actives	65%	65%
	Ret < 65	100%	100%	Ret < 65	100%	100%
	Ret ≥ 65	n/a	100%	Ret ≥ 65	n/a	100%
	<u>Currently Waived</u>		<u>Currently Waived</u>			
		<u>Part < 65</u>	<u>Part ≥ 65</u>	<u>Part < 65</u>	<u>Part ≥ 65</u>	
	Actives	75%	75%	Actives	65%	65%
	Ret < 65	0%	20%	Ret < 65	0%	20%
	Ret ≥ 65	0%	0%	Ret ≥ 65	0%	0%
■ 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 			



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation														
■ PEMHCA Administration Fee	<ul style="list-style-type: none"> ● 0.25% of premium 	<ul style="list-style-type: none"> ● 0.33% of retiree premium for 2013/14 ● 0.35% of retiree premium for 2014/15 and later years - 5-year average through 2013/14: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align:center"><u>Year</u></th> <th style="text-align:center"><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr> <td style="text-align:center">2009/10</td> <td style="text-align:center">0.43%</td> </tr> <tr> <td style="text-align:center">2010/11</td> <td style="text-align:center">0.37%</td> </tr> <tr> <td style="text-align:center">2011/12</td> <td style="text-align:center">0.36%</td> </tr> <tr> <td style="text-align:center">2012/13</td> <td style="text-align:center">0.25%</td> </tr> <tr> <td style="text-align:center">2013/14</td> <td style="text-align:center"><u>0.33%</u></td> </tr> <tr> <td style="text-align:center">5-Year Ave</td> <td style="text-align:center">0.35%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2009/10	0.43%	2010/11	0.37%	2011/12	0.36%	2012/13	0.25%	2013/14	<u>0.33%</u>	5-Year Ave	0.35%
<u>Year</u>	<u>Admin Fee</u>															
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2010/11	0.37%															
2011/12	0.36%															
2012/13	0.25%															
2013/14	<u>0.33%</u>															
5-Year Ave	0.35%															



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation			June 30, 2013 Valuation		
■ Medical Trend Used for PEMHCA Administration Fee Estimate	<u>Increase from Prior Year</u>			<u>Increase from Prior Year</u>		
	Calendar	<u>Non-Medicare</u>	<u>Medicare</u>	Calendar	<u>Non-Medicare</u>	<u>Medicare</u>
	<u>Year</u>	<u>All Plans</u>		<u>Year</u>	<u>All Plans</u>	
	2012	Premiums		2012	n/a	
	2013	Premiums		2013	Premiums	
	2014	8.5%	8.9%	2014	Premiums	
	2015	8.0%	8.3%	2015	8.0%	8.3%
	2016	7.5%	7.8%	2016	7.5%	7.8%
	2017	7.0%	7.2%	2017	7.0%	7.2%
	2018	6.5%	6.7%	2018	6.5%	6.7%
	2019	6.0%	6.1%	2019	6.0%	6.1%
2020	5.5%	5.6%	2020	5.5%	5.6%	
2021+	5.0%	5.0%	2021+	5.0%	5.0%	
■ Medical Plan at Retirement Used for PEMHCA Administration Fee Estimate	<ul style="list-style-type: none"> • Covered - same as current plan election • Waived - Kaiser 			<ul style="list-style-type: none"> • Same 		

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation
■ Retiree Coverage Election at Retirement Used for PEMHCA Administration Fee Estimate	<ul style="list-style-type: none"> • Covered - based on current coverage election • Waived - 80% married and elect 2-party coverage 	<ul style="list-style-type: none"> • Same
■ Marital Status at Retirement	<ul style="list-style-type: none"> • Actives <ul style="list-style-type: none"> ➢ Married if currently elect 2-party or family coverage ➢ Waived - 80% married • Retirees - based on spouse information if provided 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ Spouse Coverage at Retirement Used for PEMHCA Administration Fee Estimate 	<ul style="list-style-type: none"> • 100% of married retirees elect CalPERS joint and survivor annuity • Participation assumption same as retiree assumption 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Medicare Eligibility Used for PEMHCA Administration Fee Estimate 	<ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • Medicare eligible retirees will elect Part B coverage 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2012 Valuation	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ Spouse Age Used for PEMHCA Administration Fee Estimate 	<ul style="list-style-type: none"> • Actives - males 3 years older than females • Retirees - males 3 years older than females if spouse birth date not provided 	<ul style="list-style-type: none"> • Same



ACTUARIAL METHODS

Method	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ 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
<ul style="list-style-type: none"> ■ Actuarial Value of Assets 	<ul style="list-style-type: none"> • Projected market value of plan asset for 6/30/14 • For future valuations: <ul style="list-style-type: none"> ➢ Investment gains and losses spread over a 5-year rolling period ➢ Not less than 80% nor more than 120% of market value
<ul style="list-style-type: none"> ■ Amortization Method 	<ul style="list-style-type: none"> • Level percent of payroll

ACTUARIAL METHODS

Method	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ 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 • 25-year fixed (closed) period for projected 6/30/14 UAAL for 2014/15 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
<ul style="list-style-type: none"> ■ Implied Subsidy 	<ul style="list-style-type: none"> • Employer cost for allowing retirees to participate at active rates • Community-rated plans are not currently required under GASB 45 to value an implied subsidy • PEMHCA is a community-rated plan for most employers • Valuation does not include an estimate of implied subsidy

ACTUARIAL METHODS

Method	June 30, 2013 Valuation
<ul style="list-style-type: none"> ■ Future New Hires 	<ul style="list-style-type: none"> • Valuation Results - Closed group, no new hires for first year ARC • Projections and subsequent year ARCs: <ul style="list-style-type: none"> ➢ Simplified open group projection ➢ Total active pay increased in accordance with aggregate payroll assumption ➢ No additional retirees from new hires over the 10-year projection period

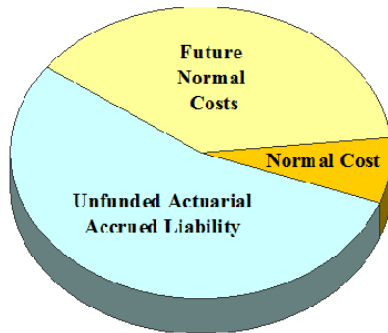
DEFINITIONS

<ul style="list-style-type: none"> ■ GASB 45 Accrual Accounting 	<ul style="list-style-type: none"> • Project future employer-provided benefit cash flow for current active employees and current retirees • Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine present value of benefits (PVB) • Discount rate is expected long-term return on plan assets • Allocate PVB to past, current, and future periods • Normal Cost (NC) is portion of PVB allocated to current fiscal year • Actuarial cost method used for valuation is Entry Age Normal (EAN) Cost method which determines Normal Cost as a level percent of payroll • Actuarial Accrued Liability (AAL) is portion of PVB allocated to prior service with the employer • Unfunded AAL (UAAL) is AAL less Plan Assets • Assets must be in segregated and restricted trust to be considered Plan Assets for GASB 45
<ul style="list-style-type: none"> ■ PayGo Cost 	<ul style="list-style-type: none"> • Cash subsidy is employer pay-as-you-go benefit payments for retirees • Implied subsidy is difference between actual cost of retiree benefits and retiree premiums subsidized by active employee premiums

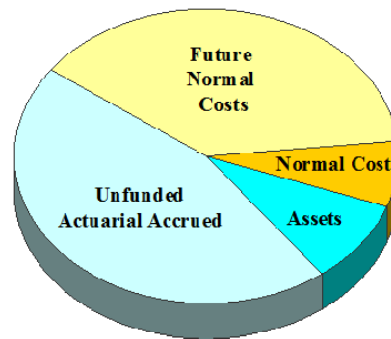
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

<p>■ Annual Required Contribution (ARC)</p>	<ul style="list-style-type: none"> ● GASB 45 contribution is Normal Cost plus amortization of: <ul style="list-style-type: none"> ➢ Initial UAAL and AAL for plan, assumption, and method changes ➢ Experience gains and losses (difference between actual experience and that expected from assumptions) ➢ Contribution gains and losses (difference between ARC and actual contributions)
<p>■ Net OPEB Obligation (NOO)</p>	<ul style="list-style-type: none"> ● NOO is accumulated amounts expensed but not funded ● Net OPEB Asset if amounts funded exceed those expensed
<p>■ Annual OPEB Cost (AOC)</p>	<ul style="list-style-type: none"> ● Expense for current period including: <ul style="list-style-type: none"> ➢ ARC ➢ Interest on NOO ➢ Adjustment of NOO ● Adjustment of NOO prevents double counting of expense since ARCs include amortization of prior contribution gains and losses previously expensed

DEFINITIONS

<p>■ Terminology Used in Report</p>	<ul style="list-style-type: none">● AAL - Actuarial Accrued Liability● AOC - Annual OPEB Cost● ARC - Annual Required Contribution● EAN - Entry Age Normal Cost Method● GASB 45 - Governmental Accounting Standards Board Statement No. 45● NOO - Net OPEB Obligation● OPEB - Other (than pensions) Post Employment Benefits● NC - Normal Cost● PVB - Present Value of Projected Benefits● UAAL - Unfunded Actuarial Accrued Liability
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