



BARTEL
ASSOCIATES, LLC

**TOWN OF ROSS
RETIREE HEALTHCARE PLAN**

June 30, 2015 Actuarial Valuation

Bartel Associates, LLC

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February 17, 2016

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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 (service or disability) • Town Council members not eligible 						
<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;">2015</td> <td>\$122 / month</td> </tr> <tr> <td>2016</td> <td>\$125 / month</td> </tr> <tr> <td>2017+</td> <td>Medical CPI increases</td> </tr> </table> 	2015	\$122 / month	2016	\$125 / month	2017+	Medical CPI increases
2015	\$122 / month						
2016	\$125 / month						
2017+	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 receiving CalPERS survivor benefit 						
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • 0.32% of retiree premium for 2015/16 • Paid by Town and included with OPEB 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"> ■ Implied Subsidy 	<ul style="list-style-type: none"> • Retirees pay blended medical premiums rather than expected medical costs by age and gender • Active premiums subsidize non-Medicare eligible retiree medical costs (“implied subsidy”) <div style="text-align: center; margin: 10px 0;"> <p>Single Coverage Retiree Medical Cost</p> <table border="1" style="margin: 10px auto; border-collapse: collapse;"> <caption>Estimated Data from Graph</caption> <thead> <tr> <th>Age</th> <th>Premium</th> <th>Male Cost</th> <th>Female Cost</th> </tr> </thead> <tbody> <tr><td>30</td><td>600</td><td>250</td><td>500</td></tr> <tr><td>35</td><td>600</td><td>300</td><td>520</td></tr> <tr><td>40</td><td>600</td><td>350</td><td>550</td></tr> <tr><td>45</td><td>600</td><td>420</td><td>600</td></tr> <tr><td>50</td><td>600</td><td>500</td><td>650</td></tr> <tr><td>55</td><td>600</td><td>650</td><td>700</td></tr> <tr><td>60</td><td>600</td><td>850</td><td>750</td></tr> <tr><td>65</td><td>600</td><td>1050</td><td>850</td></tr> </tbody> </table> </div> <ul style="list-style-type: none"> • Implied subsidy required by Actuarial Standards of Practice for actuarial valuations after 3/31/15 • Implied subsidy included with valuation results 	Age	Premium	Male Cost	Female Cost	30	600	250	500	35	600	300	520	40	600	350	550	45	600	420	600	50	600	500	650	55	600	650	700	60	600	850	750	65	600	1050	850
Age	Premium	Male Cost	Female Cost																																		
30	600	250	500																																		
35	600	300	520																																		
40	600	350	550																																		
45	600	420	600																																		
50	600	500	650																																		
55	600	650	700																																		
60	600	850	750																																		
65	600	1050	850																																		



FUNDING POLICY

<p>■ Funding Policy</p>	<ul style="list-style-type: none"> • Contribute full ARC less benefit payments with CERBT #1 • Benefit payments made from Town assets • Additional prefunding for 2014/15 • Unfunded Liability amortized over 23 years for 2016/17 				
<p>■ Pay-As-You-Go Cost</p>	<p><u>Fiscal Year</u></p>	<p><u>Town</u>¹</p>	<p><u>Audit</u></p>		
	2014/15	\$13,624	n/a		
	2013/14	12,751	12,751		
	2012/13	13,284	13,284		
<p>■ Town Contributions</p>	<p><u>Fiscal Year</u></p>	<p><u>Audit PayGo</u></p>	<p><u>CERBT Prefunding</u></p>	<p><u>Audit Contribution</u></p>	<p><u>ARC</u></p>
	2014/15 Est	\$13,624	\$225,000	\$238,624	\$35,000
	2013/14	12,751	26,000	38,751	39,000
	2012/13	13,284	0	13,284	55,000

¹ Does not include PEMHCA administrative fees. Valuation ARCs include an estimate of PEMHCA administrative fees.



FUNDING POLICY



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PARTICIPANT SUMMARY

Participants - June 30, 2015

Participants	Misc	Police	Fire²	Total
■ Actives³	5	8	0	13
• Average Age	60.8	45.3	n/a	51.3
• Average Town Service	8.5	9.1	n/a	8.9
• Average Pay	\$ 92,800	\$101,300	n/a	\$ 98,000
• Total Payroll	464,000	810,100	n/a	1,274,100
■ Retirees				
• Service Retirees	4	3	2	9
• Disabled Retirees	0	3	1	4
• Surviving Spouses	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>
• Total	5	7	4	16
• Average Age	68.3	68.4	69.2	68.6
• Average Retirement Age				
➢ Service Retirees	64.0	57.3	56.5	60.1
➢ Disabled Retirees	n/a	50.1	55.0	51.3

² Fire employees who retired prior to the formation of the Fire Joint Powers Authority on 7/1/12.

³ Excludes time employees not eligible for PEMHCA.



February 17, 2016



PARTICIPANT SUMMARY

Participants - June 30, 2013

Participants	Misc	Police	Fire⁴	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 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

⁴ Fire employees who retired prior to the formation of the Fire Joint Powers Authority on 7/1/12.



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PARTICIPANT SUMMARY

Active Participant Reconciliation

Active Participants	Actives		
	Misc	Police	Total
■ June 30, 2013	6	8	14
• Terminations	(2)	(0)	(2)
• Deaths	(0)	(0)	(0)
• New Retirees	(1)	(0)	(1)
• New Full-Time Hires	2	0	0
■ June 30, 2015	5	8	13

PARTICIPANT SUMMARY

Retired Participant Reconciliation

Retired Participants	Retirees			
	Service	Disabled	Survivors	Total
■ June 30, 2013	8	4	4	16
• New Retirees	1	0	0	1
• New Survivors	-	-	0	0
• Deaths	(0)	(0)	(1)	(1)
■ June 30, 2015	9	4	3	16

ASSETS

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2013/14	2014/15
■ Market Value at Beginning of Year	\$ 0	\$ 30
<ul style="list-style-type: none"> • CERBT Contributions • Town PayGo Contributions⁵ • Investment Earnings • Benefit Payments • Administrative Expenses 	<ul style="list-style-type: none"> 26 13 4 (13) (0) 	<ul style="list-style-type: none"> 225 14 (6) (14) (0)
■ Market Value at End of Year	30	249
■ Estimated Net Annual Return⁶	15.3%	(4.9%)
■ CERBT #1 Net Annual Return⁷	18.5%	(0.1%)

⁵ Benefit payments made directly from Town assets.

⁶ Investment earnings divided by the time funds were invested. May not be an accurate measure for large changes in assets.

⁷ -2.2% from 7/1/15 through 11/30/15.



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ASSETS

Actuarial Value of Plan Assets

(Amounts in 000's)

Actuarial Value of Assets	2013/14	2014/15
■ Actuarial Value at Beginning of Year	\$ 0	\$ 28
<ul style="list-style-type: none"> • Contributions • Expected Net Earnings • Benefit Payments 	<ul style="list-style-type: none"> 39 2 (13) 	<ul style="list-style-type: none"> 239 9 (14)
■ Expected AVA at End of Year	28	262
<ul style="list-style-type: none"> • Market Value at End of Year • MVA - Expected AVA • 1/5 of (MVA - Expected AVA) • Preliminary AVA • Minimum AVA (80% of MVA) • Maximum AVA (120% of MVA) 	<ul style="list-style-type: none"> 30 2 0 28 24 36 	<ul style="list-style-type: none"> 249 (13) (3) 259 199 299
■ Actuarial Value at End of Year	28	259
■ Actuarial Value Estimated Net Return	8.9%	5.1%
■ AVA / MVA	93%	104%



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ASSUMPTIONS HIGHLIGHTS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																														
■ Valuation Date	<ul style="list-style-type: none"> • June 30, 2013 • 2014/15 and 2015/16 ARCs 	<ul style="list-style-type: none"> • June 30, 2015 • 2016/17 and 2017/18 ARCs 																														
■ Discount Rate	<ul style="list-style-type: none"> • 7.25% - Full ARC funding with CERBT #1 	<ul style="list-style-type: none"> • Same 																														
■ PEMHCA Minimum	<ul style="list-style-type: none"> • 4.50% annually 	<ul style="list-style-type: none"> • Same 																														
■ Participation at Retirement	<table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Currently Covered</u></td> </tr> <tr> <td></td> <td align="center"><u>Part < 65</u></td> <td align="center"><u>Part ≥ 65</u></td> </tr> <tr> <td>Actives</td> <td align="center">65%</td> <td align="center">65%</td> </tr> <tr> <td>Ret < 65</td> <td align="center">100%</td> <td align="center">100%</td> </tr> <tr> <td>Ret ≥ 65</td> <td align="center">n/a</td> <td align="center">100%</td> </tr> <tr> <td></td> <td align="center" colspan="2"><u>Currently Waived</u></td> </tr> <tr> <td></td> <td align="center"><u>Part < 65</u></td> <td align="center"><u>Part ≥ 65</u></td> </tr> <tr> <td>Actives</td> <td align="center">65%</td> <td align="center">65%</td> </tr> <tr> <td>Ret < 65</td> <td align="center">0%</td> <td align="center">20%</td> </tr> <tr> <td>Ret ≥ 65</td> <td align="center">0%</td> <td align="center">0%</td> </tr> </table>		<u>Currently Covered</u>			<u>Part < 65</u>	<u>Part ≥ 65</u>	Actives	65%	65%	Ret < 65	100%	100%	Ret ≥ 65	n/a	100%		<u>Currently Waived</u>			<u>Part < 65</u>	<u>Part ≥ 65</u>	Actives	65%	65%	Ret < 65	0%	20%	Ret ≥ 65	0%	0%	<ul style="list-style-type: none"> • Same
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ASSUMPTIONS HIGHLIGHTS

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■ Medical Trend	<table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Increase from Prior Year</u></td> </tr> <tr> <td></td> <td align="center"><u>Non-Medicare</u></td> <td align="center"><u>Medicare</u></td> </tr> <tr> <td></td> <td align="center" colspan="2"><u>All Plans</u></td> </tr> <tr> <td>Cal Year</td> <td align="center" colspan="2"><u>Premiums</u></td> </tr> <tr> <td>2013</td> <td align="center" colspan="2"></td> </tr> <tr> <td>2014</td> <td align="center" colspan="2"><u>Premiums</u></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> </table>		<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>		<u>All Plans</u>		Cal Year	<u>Premiums</u>		2013			2014	<u>Premiums</u>		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%	<table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Increase from Prior Year</u></td> </tr> <tr> <td></td> <td align="center"><u>Non-Medicare</u></td> <td align="center"><u>Medicare</u></td> </tr> <tr> <td></td> <td align="center" colspan="2"><u>All Plans</u></td> </tr> <tr> <td>Cal Year</td> <td align="center" colspan="2"><u>Premiums</u></td> </tr> <tr> <td>2013</td> <td align="center" colspan="2">n/a</td> </tr> <tr> <td>2014</td> <td align="center" colspan="2">n/a</td> </tr> <tr> <td>2015</td> <td align="center" colspan="2"><u>Premiums</u></td> </tr> <tr> <td>2016</td> <td align="center" colspan="2"><u>Premiums</u></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> </table>		<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>		<u>All Plans</u>		Cal Year	<u>Premiums</u>		2013	n/a		2014	n/a		2015	<u>Premiums</u>		2016	<u>Premiums</u>		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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■ Mortality, Termination, Disability, Merit Pay	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Mortality improvement projection Scale AA 	<ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study • Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022 																																																																														



VALUATION RESULTS

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	6/30/13 Valuation		6/30/15 Valuation		
	Actual 6/30/13	Projected 6/30/15	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17
■ Discount Rate	7.25%	7.25%	7.25%	7.25%	7.25%
■ Present Value of Benefits					
• Actives	\$174	n/a	\$425	n/a	n/a
• Retirees	<u>234</u>	<u>n/a</u>	<u>419</u>	<u>n/a</u>	<u>n/a</u>
• Total	408	\$438	844	\$871	\$892
■ Actuarial Accrued Liability					
• Actives	83	n/a	211	n/a	n/a
• Retirees	<u>234</u>	<u>n/a</u>	<u>419</u>	<u>n/a</u>	<u>n/a</u>
• Total	317	362	630	679	725
■ Actuarial Value of Assets	<u>0</u>	<u>49</u>	<u>259</u>	<u>296</u>	<u>339</u>
■ Unfunded AAL	317	314	371	383	386
■ Funded Percentage	0%	14%	41%	44%	47%
■ Normal Cost	14	15	38	39	40
■ Pay-As-You-Go Cost	14	17	33	41	51

VALUATION RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	AAL
■ 6/30/13 Actuarial Accrued Liability	\$317
■ 6/30/15 Expected Actuarial Accrued Liability	362
■ Experience Losses (Gains)	
• Actual versus expected PEMHCA minimum	(14)
• Demographic & other	(2)
■ Assumption Changes	
• CalPERS demographic assumptions	(0)
• Projected mortality improvement	16
• PEMHCA administration fee	<u>(1)</u>
■ Total Gains & Losses	(1)
■ 6/30/15 Cash Subsidy Actuarial Accrued Liability	360
■ Implied Subsidy	<u>270</u>
■ 6/30/15 Actuarial Accrued Liability	630

VALUATION RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	6/30/13 Valuation		6/30/15 Valuation	
	2014/15	2015/16	2016/17	2017/18 ⁸
■ Discount Rate	7.25%	7.25%	7.25%	7.25%
■ ARC - \$				
• Normal Cost	\$14	\$15	\$39	\$40
• UAAL Amortization	<u>21</u>	<u>21</u>	<u>26</u>	<u>27</u>
• Total ARC	35	36	65	67
■ Projected Payroll⁹	1,344	1,388	1,315	1,358
■ ARC - %				
• Normal Cost	1.1%	1.1%	3.0%	2.9%
• UAAL Amortization	<u>1.5%</u>	<u>1.5%</u>	<u>2.0%</u>	<u>2.0%</u>
• Total ARC%	2.6%	2.6%	4.9%	4.9%
■ UAAL Amortization Years	25	24	23	22

⁸ Accounting information for 2017/18 will be determined under GASB 75.

⁹ Reported payroll increased 1 year using the aggregate payroll increase assumption of 3.25% per year.



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VALUATION RESULTS

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	Cash Subsidy			Implied Subsidy	Total Payment
	Current Actives	Current Retirees	Total Cash		
2015/16	\$0	\$15	\$16	\$18	\$33
2016/17	2	16	17	24	41
2017/18	3	16	19	32	51
2018/19	4	17	21	43	63
2019/20	6	17	23	50	73
2020/21	7	18	25	37	61
2021/22	8	19	27	43	69
2022/23	10	19	29	32	61
2023/24	11	20	30	14	45
2024/25	12	20	32	18	51
PVB ¹⁰	214	260	474	369	844

¹⁰ Present Value of Benefits for all years, including those after the 11 years shown. The Present Value of Benefits is the discounted value of future expected Town benefit payments using the valuation discount rate of 7.25%.



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VALUATION RESULTS

Actuarial Obligations - Implied Subsidy Estimate

June 30, 2015 - 7.25% Discount Rate

(Amounts in 000's)

Actuarial Obligations	Cash Subsidy	Implied Subsidy	Town Cost
■ Present Value of Benefits <ul style="list-style-type: none"> ● Actives ● Retirees ● Total 	\$214 <u>260</u> 474	\$210 <u>159</u> 369	\$425 <u>419</u> 844
■ Actuarial Accrued Liability <ul style="list-style-type: none"> ● Actives ● Retirees ● Total 	100 <u>260</u> 360	111 <u>159</u> 270	211 <u>419</u> 630
■ Plan Assets	<u>259</u>	<u>0</u>	<u>259</u>
■ Unfunded Actuarial Accrued Liability	101	270	371
■ Funded Percentage	72%	0%	41%
■ Normal Cost 2016/17	21	18	39
■ Pay-As-You-Go Cost 2016/17	17	24	41

VALUATION RESULTS

Annual Required Contribution (ARC) - Implied Subsidy Estimate

2016/17 Fiscal Year - 7.25% Discount Rate

(Amounts in 000's)

Annual Required Contribution	Cash Subsidy	Implied Subsidy	Town Cost
■ ARC - \$ <ul style="list-style-type: none"> ● Normal Cost ● UAAL Amortization ● Total ARC 	\$21 <u>6</u> 27	\$18 <u>20</u> 37	\$39 <u>26</u> 65
■ Projected Payroll	1,315	1,315	1,315
■ ARC - % <ul style="list-style-type: none"> ● Normal Cost ● UAAL Amortization ● Total ARC 	1.6% <u>0.5%</u> 2.1%	1.3% <u>1.5%</u> 2.8%	3.0% <u>2.0%</u> 4.9%

VALUATION RESULTS

Contribution Projection

7.25% Discount Rate

(Amounts in 000's)

Fiscal Year End	Actuarial Contribution			Projected Town Contribution			
	ARC	Projected Payroll	ARC % Pay	Cash Subsidy	Implied Subsidy	Trust Funding	Total Contrib
2016	\$36	\$1,388	2.6%	\$16	\$0 ¹¹	\$20	\$36
2017	65	1,315	4.9%	17	24	24	65
2018	67	1,358	4.9%	19	32	16	67
2019	69	1,402	4.9%	21	43	5	69
2020	72	1,448	4.9%	23	50	(1) ¹²	72
2021	74	1,495	4.9%	25	37	12	74
2022	76	1,544	4.9%	27	43	6	76
2023	78	1,594	4.9%	29	32	17	78
2024	81	1,645	4.9%	30	14	37	81
2025	83	1,699	4.9%	32	18	33	83

¹¹ The Town will implement the requirement to include the implied subsidy with the June 30, 2015 valuation for the 2016/17 fiscal year. The 2015/16 ARC was determined by the June 30, 2013 valuation which did not include the implied subsidy.

¹² This illustration assumes that the Town will request a reimbursement from CERBT when cash subsidy plus implied subsidy benefit payments exceed the ARC.



February 17, 2016



VALUATION RESULTS

Funded Status Projection

7.25% Discount Rate

(Amounts in 000's)

Fiscal Year End	Actuarial Value of Assets					Funded Status		
	BOY AVA	Trust Funding	Trust Benefits	Expected Earnings	EOY AVA	BOY AAL	BOY UAAL	BOY Fund%
2016	\$259	\$20	\$0	\$17	\$296	\$630	\$371	41%
2017	296	24	0	19	339	679	383	44%
2018	339	16	0	24	379	725	386	47%
2019	379	5	0	27	411	764	385	50%
2020	411	0	(1)	28	438	796	385	52%
2021	438	12	0	32	482	821	383	53%
2022	482	6	0	35	523	861	379	56%
2023	523	17	0	37	577	897	374	58%
2024	577	37	0	41	655	946	369	61%
2025	655	33	0	46	734	1,017	362	64%



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VALUATION RESULTS

Estimated Net OPEB Obligation (NOO) Projection

(Amounts in Dollars)

Estimated Net OPEB Obligation	Audit 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
■ Discount Rate	7.25%	7.25%	7.25%	7.25%
■ NOO at Beginning of Year	\$215,768	\$217,908	\$15,871	\$15,961
■ Annual OPEB Cost				
• Annual Required Contribution	39,000	35,000	36,000	65,000
• Interest on NOO	15,617	15,798	1,151	1,157
• NOO Adjustment	<u>(13,726)</u>	<u>(14,211)</u>	<u>(1,061)</u>	<u>(1,095)</u>
• Annual OPEB Cost	40,891	36,587	36,090	65,062
■ Contributions¹³				
• Benefit Payments	12,751	13,624	16,000	17,000
• Implied Subsidy Payments	0	0	0	24,000
• Trust Funding	<u>26,000</u>	<u>225,000</u>	<u>20,000</u>	<u>24,000</u>
• Total Contributions	38,751	238,624	36,000	65,000
■ NOO at End of Year	217,908	15,871	15,961	16,023
■ NOO Amortization Years	26	25	24	23
■ NOO Amortization Factor	n/a	15.33	14.96	14.57

¹³ Estimated contributions for years after 2013/14. Estimated PEMHCA administration expenses are included with estimated cash benefit payments. Estimated items other than the ARC should be revised when actual contributions are known.



February 17, 2016



VALUATION RESULTS



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February 17, 2016



VALUATION RESULTS

CERBT OPEB Trust Prefunding Sensitivity¹⁴

(Amounts in 000's)

■ Investment Strategy	CERBT #1	CERBT #2	CERBT #3
■ Discount Rate	7.25%	6.75%	6.25%
■ Present Value of Benefits	\$844	\$904	\$972
■ Funded Status 6/30/15			
• Actuarial Accrued Liability	630	664	701
• Actuarial Value of Assets	<u>259</u>	<u>259</u>	<u>259</u>
• Unfunded AAL	371	405	442
■ ARC 2016/17			
• Normal Cost	\$ 39	\$ 42	\$ 45
• UAAL Amortization ¹⁵	<u>26</u>	<u>27</u>	<u>29</u>
• Total ARC	65	69	74
• ARC % of Payroll	4.9%	5.3%	5.6%

¹⁴ Bartel Associates is not an investment advisor and cannot recommend specific OPEB trusts. CERBT funds are shown for illustrative purposes only.

¹⁵ 23-year amortization of Unfunded AAL.



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VALUATION RESULTS

CERBT Fund Investment Strategy¹⁶

■ CERBT Investment Strategy	CERBT #1	CERBT #2	CERBT #3
■ Public Equity	57%	40%	24%
■ Fixed Income	27%	39%	39%
■ REITs	8%	8%	8%
■ TIPS	5%	10%	26%
■ Commodities	<u>3%</u>	<u>3%</u>	<u>3%</u>
■ Total	100%	100%	100%
■ Standard Deviation	11.74%	9.32%	7.14%
■ Long-Term Expected Net Real Return	4.53%	3.98%	3.37%
■ Long-Term Inflation Assumption	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
■ Long-Term Expected Net Nominal Return	7.53%	6.98%	6.37%
■ Recommended Discount Rate	7.25%	6.75%	6.25%
■ Margin for Adverse Deviation	0.28%	0.23%	0.12%

¹⁶ Standard Deviation and Long-Term Expected Net Real Return provided by CalPERS. Long-Term Inflation Assumption is Bartel Associates' assumption.



February 17, 2016



OPEB Accounting Changes

- OPEB Accounting:
 - GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” approved by GASB Board on June 2, 2015
 - Replaces GASB 45
 - Effective for fiscal years beginning after 6/15/17 (2017/18 for Town)
- Major Issues:
 - Net OPEB Liability (UAAL) on balance sheet
 - Expense calculation disconnected from contribution calculation
 - Discount rate is expected trust rate of return when assets sufficient to pay benefits
 - Discount rate is 20-year high-quality municipal bond rate when assets not sufficient
 - Immediate recognition of Total OPEB Liability (AAL) for plan changes
 - Deferred recognition of changes in Total OPEB Liability for gains and losses and assumption changes over average active and inactive average future working lifetime
 - Recognition 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
 - Biennial actuarial valuations



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High Cost Health Coverage Excise Tax¹⁷

- Patient Protection and Affordable Care Act (PPACA) enacted in March 2010 imposed a tax on high cost medical coverage (“Cadillac Tax”)
- Excise tax of 40% beginning in 2020 applied to healthcare costs exceeding annual dollar thresholds¹⁸
 - \$10,200 for self-only coverage and \$11,850 for individuals aged 55 to 64
 - \$27,500 for non-self-only coverage and \$30,950 for individuals aged 55 to 64¹⁹
 - 2018 limits subject to increase if benchmark plan’s 2018 premiums are more than 55% higher than 2010 premiums²⁰
 - Thresholds will increase for 2019 with CPI + 1%
 - Thresholds will increase for 2020 and later years with CPI
 - Age/gender adjustment if employer’s demographics are substantially different from national workforce

¹⁷ The Consolidated Appropriations Act of 2016 signed into law on 12/18/15 delayed the effective date of the excise tax from 1/1/18 to 1/1/20 and changed it from a nondeductible tax to a deductible tax. Employers should consult with their healthcare providers, tax advisors, and legal counsel regarding the applicability of PPACA enacted taxes.

¹⁸ Effective starting with taxable year beginning on or after 1/1/18 of entity liable for tax. Healthcare costs are premiums for fully-insured plans.

¹⁹ Higher thresholds for self and non-self coverage apply if majority of employees are engaged in high risk professions, including law enforcement officers and employees in fire protection activities.

²⁰ Benchmark plan is Federal Employees Health Benefits Plan (FEHBP) Blue Cross and Blue Shield Standard Option.



February 17, 2016



High Cost Health Coverage Excise Tax

- Plans not currently subject to tax may become subject in future as medical CPI is expected to outpace general CPI
- Paid by insurers for fully insured plans and by employer or TPA for self-insured plans
- GASB 75 and Actuarial Standards of Practice require taxes and assessments expected to be imposed on benefit payments be included in valuations²¹
- Valuation assumes excise tax is added to premium and the additional cost borne by retiree

²¹ GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” adopted in June 2015 and revised Actuarial Standard of Practice No. 6, “Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions” adopted in May 2014.



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NEXT STEPS

■ Current Valuation

- Prefund implied subsidy?
- Additional prefunding?
- Final valuation report
- CERBT forms

■ Next Valuation

- 6/30/17 if no significant changes
- 2017/18 GASB 75 accounting information must use:
 - Measurement date no earlier than 6/30/17 - Prior fiscal year-end
 - Valuation date no earlier than 12/31/15 - 30 months prior to fiscal year-end
 - Timing:
 - Cannot use Town's 6/30/15 valuation for 2017/18
 - Use 6/30/17 valuation for 2017/18 accounting?
 - Can do 6/30/16 valuation rolled-forward to 6/30/17 for GASB 75 accounting.
 - Measurement date should be consistently applied from period to period



ACTUARIAL CERTIFICATION

This report presents the Town of Ross Retiree Healthcare Plan ("Plan") June 30, 2015 actuarial valuation. The purpose of this valuation is to:

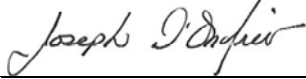

- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2015 Benefit Obligations,
- Determine the Plan's June 30, 2015 Funded Status, and
- Calculate the 2016/17 Annual Required Contribution and the 2017/18 Actuarially Determined Contribution.

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,

	
Joseph R. D'Onofrio, FSA, EA, MAAA, FCA Assistant Vice President Bartel Associates, LLC February 17, 2016	Katherine Moore, ASA, MAAA Associate Actuary Bartel Associates, LLC February 17, 2016



EXHIBITS

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EXHIBITS



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PREMIUMS

2015 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$662.41	\$1,324.82	\$1,722.27	\$445.38	\$890.76	\$1,336.14
Anthem HMO Traditional	827.57	1,655.14	2,151.68	445.38	890.76	1,336.14
Blue Shield Access+	928.87	1,857.74	2,415.06	352.63	705.26	1,057.89
Blue Shield NetValue	870.60	1,741.20	2,263.56	352.63	705.26	1,057.89
Kaiser	714.45	1,428.90	1,857.57	295.51	591.02	886.53
UnitedHealthcare	850.67	1,701.34	2,211.74	267.41	534.82	802.23
PERS Choice	700.84	1,401.68	1,822.18	339.47	678.94	1,018.41
PERS Select	690.43	1,380.86	1,795.12	339.47	678.94	1,018.41
PERSCare	775.08	1,550.16	2,015.21	368.76	737.52	1,106.28
PORAC	675.00	1,292.00	1,642.00	402.00	802.00	1,281.00



PREMIUMS

2016 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$721.79	\$1,443.58	\$1,876.65	n/a	n/a	n/a
Anthem HMO Traditional	855.42	1,710.84	2,224.09	n/a	n/a	n/a
Blue Shield Access+	1,016.18	2,032.36	2,642.07	n/a	n/a	n/a
Blue Shield NetValue	1,033.86	2,067.72	2,688.04	n/a	n/a	n/a
Health Net SmartCare	808.44	1,616.88	2,101.94	n/a	n/a	n/a
Kaiser	746.47	1,492.94	1,940.82	\$297.23	\$594.46	\$891.69
UnitedHealthcare	955.44	1,910.88	2,484.14	320.98	641.96	962.94
PERS Choice	798.36	1,596.72	2,075.74	366.38	732.76	1,099.14
PERS Select	730.07	1,460.14	1,898.18	366.38	732.76	1,099.14
PERSCare	889.27	1,778.54	2,312.10	408.04	816.08	1,224.12
PORAC	699.00	1,399.00	1,798.00	442.00	881.00	1,408.00



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	June 30, 2013			June 30, 2015		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Traditional	0%	0%	0%	18%	0%	0%
Blue Shield Access +	8%	0%	17%	0%	0%	14%
Kaiser	84%	100%	50%	73%	100%	57%
PERS Choice	8%	0%	0%	9%	0%	0%
PERSCare	0%	0%	33%	0%	0%	29%
Total	100%	100%	100%	100%	100%	100%



PARTICIPANT STATISTICS

Active Medical Coverage

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Traditional		1	1		2
Kaiser	1	1	6		8
PERS Choice		1			1
Waived				2	2
Total	1	3	7	2	13

Election %	9%	27%	64%		
Waived %				15%	



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 Access+	1				1
Kaiser	2	2			4
PERSCare	1	1			2
Waived				3	3
Total	4	3	0	3	10
Election %	57%	43%	0%		
Waived %				30%	

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								0
45-49								0
50-54								0
55-59	2		1					3
60-64						1		1
≥ 65			1					1
Total	2	0	2	0	0	1	0	5



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
35-39			1					1
40-44			1	1				2
45-49				2				2
50-54				1				1
55-59								0
60-64		1						1
≥ 65								0
Total	0	2	2	4	0	0	0	8



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Valuation Date</p>	<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 	<ul style="list-style-type: none"> • June 30, 2015 • 2016/17 and 2017/18 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"> • Prefund full ARC less benefit payments with CERBT • Benefit payments currently made from Town assets 	<ul style="list-style-type: none"> • Same
<p>■ Discount Rate</p>	<ul style="list-style-type: none"> • 7.25% - Full ARC funding with CERBT #1 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<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
<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"> • CalPERS 1997-2011 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation
<p>■ PEMHCA Minimum Increases</p>	<ul style="list-style-type: none"> • 4.50% annually 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation			June 30, 2015 Valuation		
■ Medical Trend	<u>Increase from Prior Year</u>					
	Cal	<u>Non-Medicare</u>	<u>Medicare</u>	Cal	<u>Non-Medicare</u>	<u>Medicare</u>
	<u>Year</u>	<u>All Plans</u>		<u>Year</u>	<u>All Plans</u>	
	2013	Premiums		2013	n/a	
	2014	Premiums		2014	n/a	
	2015	8.0%	8.3%	2015	Premiums	
	2016	7.5%	7.8%	2016	Premiums	
	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%	
■ 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, 2013 Valuation					June 30, 2015 Valuation			
■ Medical Claims Costs 2016	<ul style="list-style-type: none"> • Sample estimated monthly claims costs 								
	Bay Area - Non-Medicare Eligible								
		<u>BS Access+</u>		<u>Kaiser</u>		<u>PERS Choice</u>		<u>PERSCare</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
	25	\$298	\$587	\$246	\$483	\$244	\$401	\$284	\$466
	35	391	718	322	591	363	557	421	647
	45	623	753	513	620	576	631	669	732
	55	1,040	1,052	856	866	851	823	988	955
	60	1,328	1,242	1,093	1,023	1,023	946	1,187	1,097
	65	1,678	1,510	1,381	1,244	1,270	1,142	1,474	1,325
■ Mortality, Termination, Disability	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Mortality improvement projection Scale AA 					<ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study • Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022 			



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation							
■ Service Retirement	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study 	<ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study 							
	<table border="0"> <tr> <td><u>CalPERS</u></td> <td><u>Misc</u></td> <td><u>ERA</u></td> <td><u>CalPERS</u></td> <td><u>Misc</u></td> <td><u>ERA</u></td> </tr> </table>	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u>	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u>		
	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u>	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u>			
	CalPERS Hire Age	45		CalPERS Hire Age	45				
	Hire < 1/1/13	2%@55	61.0	Hire < 1/1/13	2%@55	61.4			
	Hire ≥ 1/1/13			Hire ≥ 1/1/13					
	‣ Classic Member	2%@60	62.0	‣ Classic Member	2%@60	62.4			
	‣ New Member	2%@62	62.4	‣ New Member	2%@62	62.4			
	<table border="0"> <tr> <td><u>CalPERS</u></td> <td><u>Police</u></td> <td><u>ERA</u></td> <td><u>CalPERS</u></td> <td><u>Police</u></td> <td><u>ERA</u></td> </tr> </table>	<u>CalPERS</u>	<u>Police</u>	<u>ERA</u>	<u>CalPERS</u>	<u>Police</u>	<u>ERA</u>		
	<u>CalPERS</u>	<u>Police</u>	<u>ERA</u>	<u>CalPERS</u>	<u>Police</u>	<u>ERA</u>			
	CalPERS Hire Age	30		CalPERS Hire Age	30				
	Hire < 1/1/13	3%@55	56.8	Hire < 1/1/13	3%@55	57.3			
	Hire ≥ 1/1/13			Hire ≥ 1/1/13					
	‣ Classic Member	3%@55	56.8	‣ Classic Member	3%@55	57.3			
‣ New Member	2.7%@57	57.7	‣ New Member	2.7%@57	57.7				



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																														
■ Participation at Retirement	<table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Currently Covered</u></td> </tr> <tr> <td></td> <td align="center"><u>Part < 65</u></td> <td align="center"><u>Part ≥ 65</u></td> </tr> <tr> <td>Actives</td> <td align="center">65%</td> <td align="center">65%</td> </tr> <tr> <td>Ret < 65</td> <td align="center">100%</td> <td align="center">100%</td> </tr> <tr> <td>Ret ≥ 65</td> <td align="center">n/a</td> <td align="center">100%</td> </tr> <tr> <td></td> <td align="center" colspan="2"><u>Currently Waived</u></td> </tr> <tr> <td></td> <td align="center"><u>Part < 65</u></td> <td align="center"><u>Part ≥ 65</u></td> </tr> <tr> <td>Actives</td> <td align="center">65%</td> <td align="center">65%</td> </tr> <tr> <td>Ret < 65</td> <td align="center">0%</td> <td align="center">20%</td> </tr> <tr> <td>Ret ≥ 65</td> <td align="center">0%</td> <td align="center">0%</td> </tr> </table>		<u>Currently Covered</u>			<u>Part < 65</u>	<u>Part ≥ 65</u>	Actives	65%	65%	Ret < 65	100%	100%	Ret ≥ 65	n/a	100%		<u>Currently Waived</u>			<u>Part < 65</u>	<u>Part ≥ 65</u>	Actives	65%	65%	Ret < 65	0%	20%	Ret ≥ 65	0%	0%	<ul style="list-style-type: none"> • Same
		<u>Currently Covered</u>																														
		<u>Part < 65</u>	<u>Part ≥ 65</u>																													
	Actives	65%	65%																													
	Ret < 65	100%	100%																													
	Ret ≥ 65	n/a	100%																													
		<u>Currently Waived</u>																														
		<u>Part < 65</u>	<u>Part ≥ 65</u>																													
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Ret < 65	0%	20%																														
Ret ≥ 65	0%	0%																														
■ Medical Plan at Retirement	<ul style="list-style-type: none"> • Covered - same as current plan • Waived - Kaiser 	<ul style="list-style-type: none"> • Currently covered - Same as current election • Currently waived - Kaiser • Participants in Blue Shield and Anthem elect Kaiser when Medicare eligible 																														



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Coverage Election at Retirement 	<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
<ul style="list-style-type: none"> ■ Medicare Eligibility 	<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
<ul style="list-style-type: none"> ■ Marital Status at Retirement 	<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, 2013 Valuation	June 30, 2015 Valuation																												
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • 0.33% for 2013/14 • 0.35% of retiree premium for 2014/15 and later years - 5-year average through 2013/14: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr><td>2009/10</td><td>0.43%</td></tr> <tr><td>2010/11</td><td>0.37%</td></tr> <tr><td>2011/12</td><td>0.36%</td></tr> <tr><td>2012/13</td><td>0.25%</td></tr> <tr><td>2013/14</td><td><u>0.33%</u></td></tr> <tr><td>5-Year Ave</td><td>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%	<ul style="list-style-type: none"> • 0.32% for 2015/16 • 0.32% for 2016/17 and later years - 5-year average through 2015/16: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr><td>2011/12</td><td>0.36%</td></tr> <tr><td>2012/13</td><td>0.25%</td></tr> <tr><td>2013/14</td><td>0.33%</td></tr> <tr><td>2014/15</td><td>0.34%</td></tr> <tr><td>2015/16</td><td><u>0.32%</u></td></tr> <tr><td>5-Year Ave</td><td>0.32%</td></tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2011/12	0.36%	2012/13	0.25%	2013/14	0.33%	2014/15	0.34%	2015/16	<u>0.32%</u>	5-Year Ave	0.32%
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<ul style="list-style-type: none"> ■ Spouse Age 	<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, 2015 Valuation
■ Cost Method	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll
■ Actuarial Value of Assets	<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
■ 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 • 23-year fixed (closed) period for projected 6/30/15 UAAL for 2016/17 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, 2015 Valuation
■ 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
■ Implied Subsidy	<ul style="list-style-type: none"> • Implied subsidy included for non-Medicare eligible retirees



DEFINITIONS

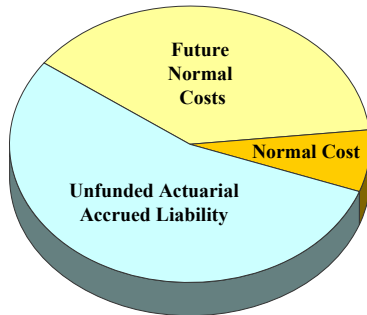
<p>■ GASB 45 Accrual Accounting</p>	<ul style="list-style-type: none"> ● Project future employer-provided benefit cash flow for current active employees and current retirees ● Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine present value of benefits (PVB) ● Discount rate is expected long-term return on plan assets ● Allocate PVB to past, current, and future periods ● Normal Cost is portion of PVB allocated to current fiscal year ● Actuarial cost method used for valuation is Entry Age Normal 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
<p>■ PayGo Cost</p>	<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



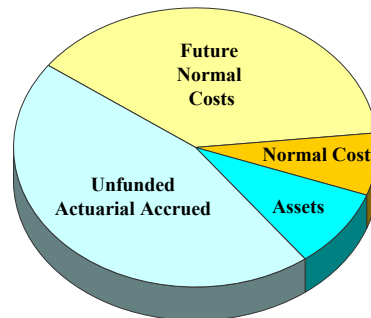
DEFINITIONS

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 ● AVA - Actuarial Value of Assets ● BOY - Beginning of Fiscal Year ● EAN - Entry Age Normal Cost Method ● GASB 45 - Governmental Accounting Standards Board Statement No. 45 ● GASB 75 - Governmental Accounting Standards Board Statement No. 75 ● MVA - Market Value of Assets ● NOO - Net OPEB Obligation ● OPEB - Other (than pensions) Post Employment Benefits ● PVB - Present Value of Projected Benefits ● UAAL - Unfunded Actuarial Accrued Liability
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