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## A. Executive Summary

This report presents the results of the June 30, 2009 actuarial valuation of the City of Placentia (the City) "other post-employment benefit" (OPEB) programs. The purpose of this valuation was to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

The following summarizes the results for the fiscal year beginning July 1, 2008:

- *If the City continues on a pay-as-you-go basis, i.e., no prefunding is adopted*,
    - We calculate the GASB 45 actuarial accrued liability (AAL) to be $24,391,359.
    - If there are no assets set aside in an irrevocable trust to offset these liabilities, the unfunded actuarial accrued liability as of this date would be ($24,391,359).
    - Contributions for the fiscal year ending June 30, 2009 are estimated to be $835,020, equal to the benefit payments made during the period.
    - We estimate the net OPEB obligation to be $472,278 for the fiscal year ended June 30, 2009.
- *If entry age normal cost prefunding is adopted on the minimum basis permitted by GASB 45*,
    - We calculate the actuarial accrued liability to be $16,087,001 and the annual required contribution (ARC) to be $1,068,620.
    - The marginal difference in contributions required to satisfy the minimum prefunding requirement is estimated to be only $233,600 ($1,068,620 less $835,020). This additional amount would enable the City to reduce the net OPEB obligation at year end from $472,278 to $0.
- Other options exist between pay-as-you-go, minimum prefunding and full funding of the unfunded liabilities amount shown above. These include application of earmarked funds set aside in reserve to be applied toward the funding of OPEB liabilities or partial pre-funding, which would require additional calculations.
- This valuation has been prepared on a closed group basis, that is, only current employees and retirees are included. No provision is made for new employees.

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

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages.

## B. Requirements of GASB 45

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. In July 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB has mandated disclosure of this information for fiscal years beginning in 2007 through 2009, depending on the size of the employer's revenue base for the fiscal year ending in 1999 (see GASB Statement No. 34 for complete details). As the City maintains a fiscal year beginning July 1, the required implementation date of GASB 45 depends on the City's revenue for the fiscal year which began July 1, 1998.

- If revenue for that year was less than $10 million, the City must comply no later than the fiscal year beginning July 1, 2009;
- For revenues between $10 million and $100 million, July 1, 2008; and
- For revenues exceeding $100 million, July 1, 2007.

Based on the information provided to us, the City's revenues for the fiscal year which began July 1, 1998 were between $10 and $100 million. It is our understanding that the City will be in compliance by June 30, 2009 as required by GASB 45.

The actuarial assumptions used in this report for GASB 45 analysis are intended to comply with the requirements of CalPERS for participation in its prefunding vehicle for OPEB liabilities, the California Employers Retiree Benefit Trust (CERBT). While this report does not take a position either on whether the City should prefund or the appropriate investment vehicle for doing so, assuming our application of methods and assumptions is acceptable to CalPERS, the option of using CERBT is available to the City using the analysis in this report.

Finally, we note that various issues in this report may involve legal analysis of applicable law or regulations. The City should consult counsel on these matters; Bickmore Risk Services (BRS) does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the City consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

## C. Sources of OPEB Liabilities

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription drug
- Vision
- Life insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave[1] or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit" subsidy and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain coverages, such as medical, this results in an "implicit subsidy" of retiree claims by active employee premiums, since the retiree premiums are lower than they would have been if the retirees were insured separately. Even when the premium has been reduced for Medicare eligible retirees, this reduction may not actually reflect the separate rating of retiree claims; consequently, an implicit subsidy may exist for these retirees as well. GASB 45 generally requires an implicit subsidy of retiree premium rates be attributed to the retiree liability (see paragraph 13.a. of GASB 45). Exceptions exist when the plan is either a "community-rated" or "cost-sharing" program.

**OPEB Obligations of the City of Placentia**

The City provides continuation of medical coverage for all retirees plus dental, vision and/or life coverage to selected retiring employees. Medical benefits are provided through CalPERS, which has taken the position that PEMHCA plans are community-rated, while the plan for California State employees and most non-PEMHCA plans are not ("OPEB Assumption Model", 11/14/2006). This report follows the CalPERS position and does not make age-related premium adjustments or compute an implicit rate subsidy with respect to medical benefits.

Based on information received from the City and its insurance broker, we believe the Delta Dental & AIG vision plans both satisfy the requirements for a community rated plan. With respect to the self-funded dental plan, the City has indicated that per capita claims for retirees do not exceed those for active employees. Consequently, we believe there is no implicit liability for retirees inherent in the premiums for dental or vision benefits.

The City provides explicit benefits to retirees which vary based on employment date. These benefits are described in Table 3 and liabilities have been included in this valuation.

[1] When a terminating employee's unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

## D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in September 2009 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that it is reasonable in various respects, the data has not been audited and we have otherwise relied on the City as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3A, based on information supplied to BRS by the City. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

As to the specific development of the projected benefit values and liabilities, which use the entry age normal cost method, we first developed an estimated total liability at retirement for each active employee. We applied the trend assumption to develop an expected premium or benefit stream over the employee's future retirement, calculated a present value of these premiums at retirement, and allocated this present value by year over the employee's career. Amounts may be allocated as a level dollar amount or as a level percentage of payroll; here, costs are allocated as a level percentage of payroll. Amounts attributed to fiscal years beginning before 2008 form the "actuarial accrued liability" (AAL). The amount allocated to the current year is referred to as the "normal cost".

**Determination of the ARC**

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the City's fiscal year end:

- The amounts attributed to service performed in the fiscal year beginning July 1, 2008 (the normal cost) and
- Amortization of the unfunded actuarial accrued liability

Because prefunding is at the discretion of the City, we have determined the ARC on both a pay-as-you-go and prefunded basis and have provided a number of options for amortizing the actuarial accrued liability. Results by group are provided in Appendix 1.

**Decisions Affecting the Amortization Payment**

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted, where the expected employer contribution is shown as the interest-adjusted sum of the normal cost and the entire amount of the unfunded accrued liability. Expected contributions in future years are then reduced to the expected normal cost (as a percentage of payroll).
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

## E. Choice of Actuarial Funding Method and Assumptions

The “ultimate real cost” of an employee benefit plan is the present value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the “incidence of cost”. Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each can be found in the glossary.

### Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance.

### Contribution Timing

Contributions in Table 1 (exhibits 1A and 1B) reflect the assumption that the full annual contribution will be made on the last day of the fiscal year. To the extent that contributions are made earlier and/or ratably throughout the year, an interest discount could apply. We are available to provide interest adjusted contributions in accordance with your intended contribution pattern at your request.

### CalPERS Implications

Special considerations apply to the selection of actuarial funding methods and assumptions for the City. In particular, CalPERS has issued a set of standardized actuarial methods and assumptions to be used by entities participating in the CalPERS GASB 45 prefunding vehicle, CERBT. As the vast majority of public entities in California wish to at least consider joining CERBT, these assumptions can be expected to be in wide use throughout the state. This approach also places the City on as much of an “apples to apples” basis with other California government agencies as is currently possible, which should be appreciated by the users of your financial statements.

## F. Certification

We certify that this report has been prepared in accordance with our understanding of GASB 45, and that the figures in Tables 1A and 1B accurately present our analysis of the disclosures for this plan required by GASB 45. Each signing individual is a Manager in the Health & Benefits Actuarial Unit at Bickmore Risk Services and a Member of the American Academy of Actuaries who satisfies the qualification requirements for rendering this opinion.

Signed: December 28, 2009

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Catherine L. MacLeod, FSA, EA, MAAA Francis M. Schauer Jr., FSA, FCA, EA,

# Table 1A
# Summary of Results
# Minimum Contribution Alternatives

| **Funding Policy** | **Pay-As-You-Go** | **Prefunding** | **Prefunding** |
|---|---|---|---|
| Interest Rate | 4.50% | 7.75% | 7.75% |
| Amortization method | Level % of pay | Level % of pay | Level dollar |
| Amortization period (in years) | 30 | 30 | 30 |
| **Number of Covered Employees** | | | |
| Actives | 120 | 120 | 120 |
| Retirees | 90 | 90 | 90 |
| Total Participants | 210 | 210 | 210 |
| **Actuarial Present Value of Projected Benefits (APVPB)** | | | |
| Actives | $ 11,422,465 | $ 5,685,184 | $ 5,685,184 |
| Retirees | 16,666,804 | 11,630,294 | 11,630,294 |
| Total APVPB | 28,089,269 | 17,315,478 | 17,315,478 |
| **Actuarial Accrued Liability (AAL)** | | | |
| Actives | 7,724,555 | 4,456,707 | 4,456,707 |
| Retirees | 16,666,804 | 11,630,294 | 11,630,294 |
| Total AAL | 24,391,359 | 16,087,001 | 16,087,001 |
| **Actuarial Value of Assets** | 0 | 0 | 0 |
| **Unfunded AAL (UAAL)** | 24,391,359 | 16,087,001 | 16,087,001 |

| | | | |
|---|---|---|---|
| **Net OPEB Obligation at 07/01/08** | $ 0 | $ 0 | $ 0 |
| Interest on Net OPEB Obligation | 0 | 0 | 0 |
| **Annual Required Contribution (ARC)** | | | |
| Normal Cost | 344,485 | 137,970 | 137,970 |
| Amortization of UAAL | 962,813 | 930,650 | 1,295,033 |
| Interest to 06/30/09 | 0 | 0 | 0 |
| Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09 | 1,307,298 | 1,068,620 | 1,433,003 |
| ARC Adjustment | 0 | 0 | 0 |
| **Expected Net Employer Contribution** for FYE 06/30/09 at 06/30/09 | 835,020 | 1,068,620 | 1,433,003 |
| **Expected Net OPEB Obligation (Asset) at 06/30/09** | 472,278 | 0 | 0 |

| | | | |
|---|---|---|---|
| Normal Cost as a percent of payroll | 3.9% | 1.6% | 1.6% |
| ARC as a percent of payroll | 14.8% | 12.1% | 16.2% |
| ARC per Active Ee | $ 10,894 | $ 8,905 | $ 11,942 |

# Table 1B
# Summary of Results
# Other Contribution Alternatives

| | | | |
|---|---|---|---|
| **Funding Policy** | **Prefunding** | **Prefunding** | **Prefunding** |
| Interest Rate | 7.75% | 7.75% | 7.75% |
| Amortization method | Level % of pay | Level dollar | Level dollar |
| Amortization period (in years) | 10 | 10 | 1 |
| **Number of Covered Employees** | | | |
| Actives | 120 | 120 | 120 |
| Retirees | 90 | 90 | 90 |
| Total Participants | 210 | 210 | 210 |
| **Actuarial Present Value of Projected Benefits (APVPB)** | | | |
| Actives | $ 5,685,184 | $ 5,685,184 | $ 5,685,184 |
| Retirees | 11,630,294 | 11,630,294 | 11,630,294 |
| Total APVPB | 17,315,478 | 17,315,478 | 17,315,478 |
| **Actuarial Accrued Liability (AAL)** | | | |
| Actives | 4,456,707 | 4,456,707 | 4,456,707 |
| Retirees | 11,630,294 | 11,630,294 | 11,630,294 |
| Total AAL | 16,087,001 | 16,087,001 | 16,087,001 |
| **Actuarial Value of Assets** | 0 | 0 | 0 |
| **Unfunded AAL (UAAL)** | 16,087,001 | 16,087,001 | 16,087,001 |

| | | | |
|---|---|---|---|
| **Net OPEB Obligation at 07/01/08** | $ 0 | $ 0 | $ 0 |
| Interest on Net OPEB Obligation | 0 | 0 | 0 |
| **Annual Required Contribution (ARC)** | | | |
| Normal Cost | 137,970 | 137,970 | 137,970 |
| Amortization of UAAL | 1,934,605 | 2,199,975 | 16,087,001 |
| Interest to 06/30/09 | 0 | 0 | 0 |
| Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09 | 2,072,575 | 2,337,945 | 16,224,971 |
| ARC Adjustment | 0 | 0 | 0 |
| **Expected Net Employer Contribution** for FYE 06/30/09 at 06/30/09 | 2,072,575 | 2,337,945 | 16,224,971 |
| **Expected Net OPEB Obligation (Asset) at 06/30/09** | 0 | 0 | 0 |

| | | | |
|---|---|---|---|
| Normal Cost as a percent of payroll | 1.6% | 1.6% | 1.6% |
| ARC as a percent of payroll | 23.4% | 26.4% | 183.2% |
| ARC per Active Ee | $ 17,271 | $ 19,483 | $ 135,208 |

# Table 2
# Summary of Employee Data

The City reported 120 active employees, of which 117 are currently participating in the medical program as of the valuation date. There are also 90 retirees or their beneficiaries receiving benefits. Age, service and employment group information for the reported individuals is provided below:

**Distribution of Benefits-Eligible Active Employees**

| Current Age | Years of Service | | | | | | Total | Percent |
|---|---|---|---|---|---|---|---|---|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 & Up | | |
| Under 25 | 1 | 6 | | | | | 7 | 6% |
| 25 to 29 | 1 | 11 | 4 | | | | 16 | 13% |
| 30 to 34 | 1 | 6 | 8 | 5 | | | 20 | 17% |
| 35 to 39 | 2 | 1 | 5 | 4 | 3 | | 15 | 13% |
| 40 to 44 | 3 | 4 | 1 | 6 | 3 | 6 | 23 | 19% |
| 45 to 49 | 1 | 4 | 2 | | 2 | 4 | 13 | 11% |
| 50 to 54 | 2 | 2 | 1 | 3 | 2 | 5 | 15 | 13% |
| 55 to 59 | | | 1 | 1 | 2 | 3 | 7 | 6% |
| 60 to 64 | | | | 1 | | 2 | 3 | 3% |
| 65 to 69 | | | | | | 1 | 1 | 1% |
| 70 & Up | | | | | | | 0 | 0% |
| **Total** | 11 | 34 | 22 | 20 | 12 | 21 | **120** | **100%** |
| **Percent** | 9% | 28% | 18% | 17% | 10% | 18% | **100%** | |

(Percentages adjusted to total 100%)

| | |
|---|---|
| Annual Covered Payroll | $8,854,045 |
| Average Attained Age for Actives | 40.5 |
| Average Years of Service | 10.3 |

**Retirees by Age**

| Current Age | Number | Percent |
|---|---|---|
| Below 50 | 1 | 1% |
| 50 to 54 | 6 | 7% |
| 55 to 59 | 14 | 16% |
| 60 to 64 | 25 | 28% |
| 65 to 69 | 17 | 19% |
| 70 to 74 | 13 | 14% |
| 75 to 79 | 6 | 7% |
| 80 & up | 8 | 9% |
| **Total** | **90** | **100%** |

Average Attained Age for Retirees: 66.3

**Participants by Group**

| Group | Actives | Retired | Total |
|---|---|---|---|
| PCEA | 54 | 43 | 97 |
| PPOA | 31 | 11 | 42 |
| Police Mgmt | 15 | 14 | 29 |
| Mgmt & Mid-Mgmt | 20 | 22 | 42 |
| Total | 120 | 90 | 210 |

| OPEB Benefit Tier | Actives | Retired | Total |
|---|---|---|---|
| Tier 1 Employees | 37 | 90 | 127 |
| Tier 2 Employees | 83 | 0 | 83 |
| Total | 120 | 90 | 210 |

## Table 3A
## Summary of Retiree Benefit Provisions

The City offers continuation of medical coverage for all retirees as well as dental, vision and life coverage for retirees hired prior to November 21, 1995. This coverage is available for employees who satisfy the requirements for retirement under CalPERS: attained age 50 (45 for safety employees) with 5 years of State or public agency service or approved disability retirement. An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

The City participates in the CalPERS medical program as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City has selected the 'equal contribution' method, where it resolves to contribute the same amount for retirees as is contributed toward active employee medical plan coverage.

We have based our valuation on the assumption that (1) the City is following the current PEMHCA resolutions on file with CalPERS (executed in 2009), which effectively state that the City's contribution for each employee or annuitant will be the Minimum Employer Contribution (MEC), and (2) the City will revise their flexible benefit plan to allow for the payment of premiums in excess of the MEC for active employees.

Benefits provided to retirees vary based on employment date and unit:

- For retirees hired prior to November 21, 1995, the City contributes 100% of the medical, dental, vision and life insurance premiums for the retiree and his or her dependents. Medical premiums are subject to a maximum:
    - For retired police officers and police management: PORAC plan premiums
    - For all other retirees: PERS Choice plan premiums
- For retirees hired after November 20, 1995, the City contributes the minimum required employer contribution (MEC), which is $101 per month during 2009.

The CalPERS 2009 rates applicable to covered employees are shown on the following table:

| Other Southern California Counties 2009 Health Plan Rates | | | | | | |
|---|---|---|---|---|---|---|
| | Actives and Pre-Medicare Retirees | | | Medicare Eligible Retirees | | |
| Plan | Ee Only | Ee & 1 | Ee & 2+ | Ee Only | Ee & 1 | Ee & 2+ |
| Blue Shield HMO | $471.18 | $942.36 | $1,225.07 | $341.44 | $682.88 | $965.59 |
| Blue Shield | $416.49 | $832.98 | $1,082.87 | $304.66 | $609.32 | $859.21 |
| Kaiser HMO | $425.11 | $850.22 | $1,105.29 | $280.16 | $560.32 | $815.39 |
| PERS Choice | $458.59 | $917.18 | $1,192.33 | $349.11 | $698.22 | $973.37 |
| PERS Select PPO | $430.72 | $861.44 | $1,119.87 | $349.11 | $698.22 | $956.65 |
| PERS Care PPO | $712.71 | $1,425.42 | $1,853.05 | $404.60 | $809.20 | $1,236.83 |
| PORAC | $484.00 | $906.00 | $1,151.00 | $330.00 | $657.00 | $902.00 |

**Table 3A**
**(Concluded)**

The table on the prior page illustrates rates for the Other Southern California Counties rate group. A different rate may apply for the same coverage where the member resides outside of this area. These variances, if any, are reflected in the valuation, but not listed here. Note that these rates vary by county of residence, while the rates given in the valuation of State employees are statewide rates. Additionally, CalPERS charges an administrative fee most recently set at .27% of total premiums (FY 2006/7); a special assessment of .17% of total premiums was charged for FY2006/7 only. These expenses are not separately analyzed in this valuation.

The 2009 dental and vision premium rates applicable to eligible retirees are shown below:

| Plan | Employee | Ee + Spouse | Ee + Family |
|---|---|---|---|
| Delta Dental | $16.47 | $41.62 | $41.62 |
| EBAM Dental | $32.00 | $49.00 | $65.00 |
| AIG Vision | $8.79 | $15.82 | $22.85 |

Eligible police officers receive $50,000 in retired life coverage; all other eligible retirees receive one times their final annual pay in life insurance coverage. The premium rate is the same for actives and retirees at $.25 per $1,000 of coverage. A maximum of $1,000 in dependent life coverage is available for an addition $.045. Life coverage ends at the employee's age 70.

# Table 3B
# General CalPERS Provisions

(The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of July 1, 2007, issued May 7, 2007, to the State Controller from Gabriel Roeder & Smith; the material has been edited for clarity and to remove material concerning association plans, contributions on behalf of judges and legislators)

SUMMARY OF THE
CURRENT SUBSTANTIVE PLAN PROVISIONS
Other Postemployment Benefits
Sponsored by the State of California
As of January 1, 2007

Eligibility Requirements

<u>Health Care Coverage</u>

*Retired Employees*

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employer will notify CalPERS and the member's coverage will continue into retirement.

*Survivors of an Annuitant*

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

*Eligibility Exceptions*

Certain family members are not eligible for CalPERS health benefits:

- Children age 23 or older;
- Children who have been married;
- Children's spouses;
- Disabled children over age 23 who were never enrolled or who were deleted from coverage;
- Former spouses;

## Table 3B - General CalPERS Provisions (Continued)

- Grandparents;
- Parents;
- Children of former spouses; and
- Other relatives

*Coordination with Medicare*

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

*Survivors of an Employee or Annuitant*

Departments are required to continue paying the State Contributions for a covered employee's spouse, domestic partner, and other eligible family members for up to 120 days following an employee's death. During this time, CalPERS will determine if the spouse or other family members are eligible for continuation coverage.

After 120 days, the surviving family member(s) will be eligible to continue their current coverage if they meet all of the following criteria:

- They were enrolled as dependents at the time of death;
- They qualify for a monthly survivor allowance from CalPERS; and
- They continue to qualify as family members.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

## Table 3B - General CalPERS Provisions (Continued)

| HMO Basic Plans<br>Blue Shield of California, Kaiser Permanente , Western Health Advantage | |
|---|---|
| | Copay and/or Benefit Limit |
| Hospital<br>Inpatient<br>Outpatient<br>Blue Shield and Western Health Advantage<br>Kaiser Performance | No Charge<br><br>No Charge<br>$10/visit |
| Physician Services<br>Office Visits<br>More than one copay may apply during an office visit if multiple services are provided<br>Gynecological Exam<br>Periodic Health Exam<br>Well-Baby Care<br>Allergy Testing/Treatment<br>Blue Shield and Western Health Advantage<br>Kaiser Permanente<br><br>Immunization/Inoculation<br>Blue Shield And Western Health Advantage<br>Kaiser Permanente<br>Vision Exam (Refraction)<br>For age 17 and under. Varies by plan for age 18 and over and may be limited to one visit per calendar year.<br>Hearing Exam/Screening<br>Inpatient Hospital Visits<br>Surgery/Anesthesia | $10/visit<br><br>$10/visit<br>$10/visit<br>$10/visit<br><br>$10/visit<br>$5/visit (injection visits)<br>$10/visit (testing visits)<br><br>$10/immunization<br>No Charge<br>$10/visit<br><br>$10/visit<br>No Charge<br>No Charge |
| Ambulance Service<br>Air/ground ambulance service | No Charge |
| Emergency Services<br>Waived if admitted as an inpatient or for observations as an outpatient | $50/visit |
| Prescription Drug Benefit | |
| Blue Shield and Western Health Advantage<br>Retail Pharmacy<br>(up to 30-day supply)<br><br>Mail Order Program<br>(up to 90-day supply)<br>$1,000 maximum copayment per person per calendar year<br><br>Kaiser Permanente<br>Provides up to 100-day supply (or a 30-day supply for certain drugs) through either its pharmacies or mail order program | $5/generic<br>$15/formulary brand name<br>$45/nonformulary<br>*($30 if medical necessity approved)*<br><br>$10/generic<br>$25/formulary brand name<br>$75/non-formulary<br>*($45 if medical necessity approved)*<br><br>$5/generic<br>$15/brand name |

## Table 3B - General CalPERS Provisions (Continued)

PERS Choice & PERSCare PPO Basic Plans

| | PERS Choice Member's Cost | | PERSCare Member's Cost | |
|---|---|---|---|---|
| | PPO | Non-PPO | PPO | Non-PPO |
| Calendar Year Deductible<br>Individual<br>Family | $500<br>$1,000 | | $500<br>$1,000 | |
| **Maximum Calendar Year Copay**<br>Individual<br>Family | $3,000<br>$6,000 | None<br>None | $2,000<br>$4,000 | None<br>None |
| Lifetime Maximum Benefit - Per Individual | $2,000,000 | | None | |
| Hospital<br>Per admission deductible<br>Inpatient and Outpatient | None<br>20% | None<br>40% | $250<br>10% | $250<br>40% |
| Physician Services<br>Office Visits<br>Urgent Care Visits<br>Hospital Outpatient<br>Other Professional Services<br>Preventative Care Services | $20 copay<br>$20 copay<br>$20 copay<br>20%<br>No Charge | 40%<br>40%<br>40%<br>40%<br>40% | $20 copay<br>$20 copay<br>10%<br>10%<br>No Charge | 40%<br>40%<br>40%<br>40%<br>40% |
| Ambulance Service | 20% | 20% | 20% | 20% |
| Emergency Services<br>($50 deductible per visit for covered ER charges –<br>waived if admitted to Hospital) | 20% | 20% | 10% | 10% |
| Prescription Drug Benefit | Generic | Preferred Brand | Non-Preferred Brand | |
| Applies to PERS Choice and PERSCare<br>Retail Pharmacy*<br>PERS Choice (up to 30-day supply)<br>PERSCare (up to 34 day supply)<br>*short-term use | $5 | $15 | $45<br>($30 if partial waiver of Non-Preferred Brand copayment approved) | |
| Retail Pharmacy Maintenance Medications filled after 2nd Fill**<br>PERS Choice (up to 30-day supply)<br>PERSCare (up to 34-day supply)<br>** A maintenance medication taken longer than 60 days for chronic conditions | $10 | $25 | $75<br>($45 if partial waiver of Non-Preferred Brand copayment approved) | |
| Mail Service Pharmacy<br>A $1,000 maximum copayment per person per calendar year applies (up to 90-day supply for PERS Choice and PERSCare) | $10 | $25 | $75<br>($45 if partial waiver of Non-Preferred Brand copay approved) | |

## Table 3B - General CalPERS Provisions (Continued)

| HMO Medicare Plans<br>Blue Shield of California, Kaiser Permanente , Western Health Advantage | | |
|---|---|---|
| | Supplement to Original Medicare Plans | Medicare Managed Care Plan (Medicare Advantage ) |
| | Blue Shield of California<br>Western Health Advantage | Kaiser Permanent Senior Advantage |
| | Copay and/or Benefit Limit | Copay and/or Benefit Limit |
| Hospital | | |
| Inpatient | No Charge | No Charge |
| Outpatient | No Charge | $10/visit |
| Physician Services | | |
| Office Visits | $10/visit | $10/visit |
| Gynecological Exam | $10/visit | $10/visit |
| Periodic Health Exam | $10/visit | $10/visit |
| Allergy Testing/Treatment | $10/visit | $3/visit (injection visits)<br>$10/visit (testing visits) |
| Immunization/Inoculation | $10/immunization | No Charge |
| Vision Exam (Refraction) | | |
| Western Health Advantage | $10 in network | $10/visit |
| Blue Shield of California | $10/visit | $10/visit |
| Hearing Exam/Screening | $10/visit | $10/visit |
| Inpatient Hospital Visits | No Charge | No Charge |
| Surgery/Anesthesia | No Charge | $10/visit |
| Ambulance Service | | |
| Air/ground ambulance service | No Charge | No Charge |
| Emergency Services<br>Waived if admitted as an inpatient or for observations as an outpatient | $50/visit | $50/visit |
| Prescription Drug Benefit | | |
| Retail Pharmacy<br>(up to 30-day supply)<br>(Does not apply to Kaiser) | $5/generic<br>$15/formulary brand name<br>$45/non-formulary<br>($30 if medical necessity approved) | $5/generic<br>$15/ brand name<br>Kaiser Permanente provides up to<br>100-day supply (or a 30-day supply for<br>certain drugs) through its pharmacies<br>or mail order program |
| Mail Order Program<br>$1,000 maximum copayment per person<br>per calendar year (up to 90-day supply)<br>(Does not apply to Kaiser) | $10/generic<br>$25/formulary brand name<br>$75/non-formulary<br>($45 if medical necessity approved) | $5/generic<br>$15/brand name<br>*(Kaiser Permanente provides up to<br>100-day supply (or 30-day for certain<br>drugs) through its pharmacies or mail order program)* |

## Table 3B - General CalPERS Provisions (Concluded)

| PERS Choice & PERS Care Supplement Plans<br>PPO Supplement to Original Medicare Plans | | | |
|---|---|---|---|
| | PERS Choice<br>**PPO** | | PERSCare<br>**PPO** |
| Calendar Year Deductible | None<br>Plan pays Medicare<br>Parts A and B deductible | | None<br>Plan pays Medicare<br>Parts A and B deductible |
| Lifetime Maximum Benefit - Per Individual | $2,000,000<br>(after Medicare payments) | | None |
| Hospital<br>Inpatient and Outpatient | No Charge | | No Charge |
| Physician Services<br>Physician Office Visits<br>Home Visits<br>Hospital Visits<br>Gynecological Exam<br>Allergy Testing/Treatment | <br>No Charge<br>No Charge<br>No Charge<br>No Charge<br>No Charge | | <br>No Charge<br>No Charge<br>No Charge<br>No Charge<br>No Charge |
| Ambulance Service | No Charge | | No Charge |
| Emergency Services | No Charge | | No Charge |
| Prescription Drug Benefit | Generic | Preferred Brand | Non-Preferred Brand |
| Applies to PERS Choice and PERSCare<br>Retail Pharmacy*<br>PERS Choice (up to 30-day supply)<br>PERSCare (up to 34-day supply)<br>*short -term use | $5 | | $45<br>($30 if partial waiver of Non-Preferred Brand copayment approved) |
| Retail Pharmacy Maintenance Medications filled after 2nd Fill**<br>PERS Choice (up to 30-day supply)<br>PERSCare (up to 34-day supply)<br>** A maintenance medication taken longer than 60 days for chronic conditions. | $10 | | $75<br>($45 if partial waiver of Non-Preferred Brand copayment approved) |
| Mail Service Pharmacy<br>A $1,000 maximum copayment per person per calendar year applies (up to 90-day supply for PERS Choice and PERSCare) | $10 | | $75<br>($45 if partial waiver of Non-Preferred Brand copayment approved) |

## Table 4
## OPEB Valuation Actuarial Methods and Assumptions

| | |
|---|---|
| Valuation Date | June 30, 2009 |
| Funding Method | Entry Age Normal Cost, level percent of pay<br>Closed group basis |
| Asset Valuation Method | Market value of assets<br>($0; plan has not yet been funded) |
| Discount Rate | 4.5% if unfunded; 7.75% if funded |
| Salary Increase | 3.25% per year |
| Assumed Increase for Amortization Payments | 3.25% per year where determined on a percent of pay basis |
| Mortality - before retirement | Illustrative rates: |

| CalPERS Public Agency Miscellaneous Non-Industrial Deaths only | | |
|---|---|---|
| Age | Male | Female |
| 15 | 0.00013 | 0.00006 |
| 20 | 0.00019 | 0.00009 |
| 30 | 0.00038 | 0.00021 |
| 40 | 0.00077 | 0.00046 |
| 50 | 0.00156 | 0.00102 |
| 60 | 0.00314 | 0.00226 |
| 70 | 0.00634 | 0.00500 |
| 80 | 0.01277 | 0.01108 |

| CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial Deaths | | |
|---|---|---|
| Age | Male | Female |
| 15 | 0.00013 | 0.00006 |
| 20 | 0.00022 | 0.00012 |
| 30 | 0.00048 | 0.00031 |
| 40 | 0.00094 | 0.00063 |
| 50 | 0.00179 | 0.00125 |
| 60 | 0.00344 | 0.00256 |
| 70 | 0.00671 | 0.00537 |
| 80 | 0.01320 | 0.01151 |

## Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality - after retirement

Illustrative rates:

| CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality | | | | |
|---|---|---|---|---|
| | Male | | Female | |
| Age | Regular | Disabled | Regular | Disabled |
| 40 | 0.0010 | 0.0087 | 0.0007 | 0.0064 |
| 50 | 0.0025 | 0.0146 | 0.0014 | 0.0113 |
| 60 | 0.0072 | 0.0287 | 0.0044 | 0.0188 |
| 70 | 0.0214 | 0.0467 | 0.0128 | 0.0302 |
| 80 | 0.0626 | 0.0948 | 0.0388 | 0.0651 |
| 90 | 0.1738 | 0.2079 | 0.1259 | 0.1619 |
| 100 | 0.3472 | 0.4560 | 0.3204 | 0.4024 |
| 110 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |

Turnover

CalPERS Public Agency Miscellaneous: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

| Age at Hire | Years of Service | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0 | 5 | 10 | 15 | 20 | 25 | 30 |
| 15 | 0.1830 | 0.0834 | 0.0643 | 0.0515 | 0.0387 | 0.0259 | 0.0131 |
| 20 | 0.1760 | 0.0765 | 0.0574 | 0.0446 | 0.0318 | 0.0190 | 0.0010 |
| 30 | 0.1622 | 0.0627 | 0.0435 | 0.0307 | 0.0041 | 0.0009 | 0.0002 |
| 40 | 0.1483 | 0.0488 | 0.0095 | 0.0046 | 0.0009 | 0.0002 | 0.0002 |
| 50 | 0.1345 | 0.0129 | 0.0051 | 0.0008 | 0.0002 | 0.0002 | 0.0002 |

CalPERS Public Agency Police: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

| Age at Hire | Years of Service | | | | | | |
|---|---|---|---|---|---|---|---|
| | 0 | 5 | 10 | 15 | 20 | 25 | 30 |
| 15 | 0.1299 | 0.0297 | 0.0213 | 0.0129 | 0.0097 | 0.0082 | 0.0076 |
| 20 | 0.1299 | 0.0297 | 0.0213 | 0.0129 | 0.0097 | 0.0082 | 0.0012 |
| 30 | 0.1299 | 0.0297 | 0.0213 | 0.0129 | 0.0022 | 0.0015 | 0.0012 |
| 40 | 0.1299 | 0.0297 | 0.0068 | 0.0035 | 0.0022 | 0.0015 | 0.0012 |
| 50 | 0.1299 | 0.0110 | 0.0068 | 0.0035 | 0.0022 | 0.0015 | 0.0012 |

## Table 4 - Actuarial Methods and Assumptions (Continued)

Retirement Rates

CalPERS Public Agency Miscellaneous
2% @ 55 – Illustrative rates

| Age | Years of Service | | | | | |
|---|---|---|---|---|---|---|
| | 5 | 10 | 15 | 20 | 25 | 30 |
| 50 | 0.0145 | 0.0184 | 0.0224 | 0.0269 | 0.0307 | 0.0366 |
| 53 | 0.0150 | 0.0190 | 0.0231 | 0.0278 | 0.0318 | 0.0378 |
| 55 | 0.0475 | 0.0604 | 0.0734 | 0.0883 | 0.1008 | 0.1200 |
| 58 | 0.0473 | 0.0601 | 0.0730 | 0.0879 | 0.1003 | 0.1194 |
| 60 | 0.0715 | 0.0908 | 0.1104 | 0.1328 | 0.1516 | 0.1804 |
| 62 | 0.1275 | 0.1620 | 0.1969 | 0.2369 | 0.2704 | 0.3219 |
| 65 | 0.1738 | 0.2209 | 0.2686 | 0.3231 | 0.3688 | 0.4390 |
| 66 | 0.1085 | 0.1378 | 0.1675 | 0.2016 | 0.2301 | 0.2739 |
| 68 | 0.0878 | 0.1116 | 0.1356 | 0.1632 | 0.1863 | 0.2217 |
| 70 | 0.1224 | 0.1555 | 0.1890 | 0.2274 | 0.2596 | 0.3090 |
| 71 | 0.0941 | 0.1195 | 0.1453 | 0.1748 | 0.1995 | 0.2375 |
| 72 | 0.1035 | 0.1315 | 0.1598 | 0.1923 | 0.2195 | 0.2613 |
| 74 | 0.0644 | 0.0818 | 0.0995 | 0.1197 | 0.1366 | 0.1626 |
| 75 & over | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |

CalPERS Public Agency Police
3% @ 50 – Illustrative rates

## Table 4 - Actuarial Methods and Assumptions (Concluded)

Healthcare Trend Rate

Medical plan premiums and CalPERS minimum employer contribution under PEMHCA are assumed to increase at rates shown in the table below:

| Year | Rate | Year | Rate |
|---|---|---|---|
| 2009 | 4.00% | 2014 | 7.00% |
| 2010 | 9.00% | 2015 | 6.50% |
| 2011 | 8.50% | 2016 | 5.50% |
| 2012 | 8.00% | 2017 | 4.50% |
| 2013 | 7.50% | & later | |

Dental and vision plan premiums are assumed to increase at 4.5% annually

Participation Rate

*Participating actives*: 100% of employees hired before 11/21/1995 and 70% of those hired after 11/20/1995 are assumed to continue their current plan election in retirement.

*Non-participating actives:* 90% of employees hired before 11/21/1995 and 35% of those hired after 11/20/1995 are assumed to elect PERS Choice coverage and PORAC (sworn) at a later date, thus gaining access to coverage in retirement.

*Currently retired participants*: Existing medical plan elections are assumed to be maintained through retirement until death.

Spouse Coverage

*Current active employees:* 80% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives.

*Currently retired participants*: Existing elections for spouse coverage are assumed to be maintained through retirement until earlier of the spouse's or retiree's death.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 65.

## Table 5
## Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the City. No benefits expected to be paid on behalf of current active employees prior to retirement are considered in this projection. Furthermore, no benefits for potential future employees have been included.

Benefits included as described above have been projected on the basis of the actuarial assumptions outlined in Table 4.

| Fiscal Year Ending June 30 | Current Retirees | Future Retirees | Total |
|---|---|---|---|
| 2009 | 835,020 | - | 835,020 |
| 2010 | 847,574 | 37,355 | 884,929 |
| 2011 | 882,695 | 64,613 | 947,308 |
| 2012 | 909,472 | 95,079 | 1,004,551 |
| 2013 | 940,521 | 131,047 | 1,071,568 |
| 2014 | 968,518 | 169,520 | 1,138,038 |
| 2015 | 1,000,062 | 214,524 | 1,214,586 |
| 2016 | 1,014,518 | 262,307 | 1,276,825 |
| 2017 | 1,022,458 | 312,230 | 1,334,688 |
| 2018 | 1,030,359 | 365,225 | 1,395,584 |

# Appendix 1
# Breakout of City Plan Results by Group
# Pay-As-You-Go Basis

The results below illustrate the liabilities for each group on an unfunded ("Pay-As-You-Go") basis, reflecting amortization of the unfunded actuarial liability over a 30 year period on a level percent of pay basis.

| | Placentia City Employee Association | Placentia Police Management Association | Placentia Police Officers Association | Unrepresented Management and Mid-management |
|---|---|---|---|---|
| Interest Rate | 4.50% | 4.50% | 4.50% | 4.50% |
| **Participants in Group** | | | | |
| Actives | 54 | 15 | 31 | 20 |
| Retirees | 43 | 14 | 11 | 22 |
| Total Participants | 97 | 29 | 42 | 42 |
| **Actuarial Present Value of Projected Benefits (APVPB)** | | | | |
| Actives | 4,478,384 | 3,708,464 | 1,961,580 | 1,274,037 |
| Retirees | 7,091,009 | 3,166,571 | 2,249,791 | 4,159,433 |
| Total APVPB | 11,569,393 | 6,875,035 | 4,211,371 | 5,433,470 |
| **Actuarial Accrued Liability (AAL)** | | | | |
| Actives | 3,177,552 | 2,696,378 | 1,003,358 | 847,267 |
| Retirees | 7,091,009 | 3,166,571 | 2,249,791 | 4,159,433 |
| Total AAL | 10,268,561 | 5,862,949 | 3,253,149 | 5,006,700 |
| **Actuarial Value of Assets** | 0 | 0 | 0 | 0 |
| **Unfunded AAL (UAAL)** | 10,268,561 | 5,862,949 | 3,253,149 | 5,006,700 |

| | | | | |
|---|---|---|---|---|
| **Net OPEB Obligation at 07/01/08** | 0 | 0 | 0 | 0 |
| Interest on Net OPEB Obligation | | | | |
| **Annual Required Contribution (ARC) - minimum basis** | | | | |
| Normal Cost | 129,391 | 101,816 | 68,939 | 44,339 |
| Amortization of UAAL (30 yrs, increasing) | 405,337 | 231,431 | 128,413 | 197,632 |
| Interest to 06/30/09 | 0 | 0 | 0 | 0 |
| Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09 | 534,728 | 333,247 | 197,352 | 241,971 |
| ARC Adjustment | | | | |
| **Expected Net Employer Contribution** for FYE 06/30/09 at 06/30/09 | 373,251 | 143,608 | 106,015 | 212,146 |
| **Expected Net OPEB Obligation** at 06/30/09 | 161,477 | 189,639 | 91,337 | 29,825 |

| | | | | |
|---|---|---|---|---|
| Current Year's Expected Benefit Payments | 373,251 | 143,608 | 106,015 | 212,146 |

# Appendix 2
# Breakout of City Plan Results by Group
# Minimum Prefunding Basis

The results below illustrate the liabilities for each group on the minimum prefunding basis permitted under GASB 45, reflecting amortization of the unfunded actuarial liability over a 30 year period on a level percent of pay basis.

| | Placentia City Employee Association | Placentia Police Management Association | Placentia Police Officers Association | Unrepresented Management and Mid-management |
|---|---|---|---|---|
| Interest Rate | 7.75% | 7.75% | 7.75% | 7.75% |
| **Participants in Group** | | | | |
| Actives | 54 | 15 | 31 | 20 |
| Retirees | 43 | 14 | 11 | 22 |
| Total Participants | 97 | 29 | 42 | 42 |
| **Actuarial Present Value of Projected Benefits (APVPB)** | | | | |
| Actives | 2,299,483 | 1,882,184 | 827,447 | 676,070 |
| Retirees | 4,989,681 | 2,150,180 | 1,561,957 | 2,928,476 |
| Total APVPB | 7,289,164 | 4,032,364 | 2,389,404 | 3,604,546 |
| **Actuarial Accrued Liability (AAL)** | | | | |
| Actives | 1,863,591 | 1,543,875 | 532,311 | 516,930 |
| Retirees | 4,989,681 | 2,150,180 | 1,561,957 | 2,928,476 |
| Total AAL | 6,853,272 | 3,694,055 | 2,094,268 | 3,445,406 |
| **Actuarial Value of Assets** | 0 | 0 | 0 | 0 |
| **Unfunded AAL (UAAL)** | 6,853,272 | 3,694,055 | 2,094,268 | 3,445,406 |

| | | | | |
|---|---|---|---|---|
| **Net OPEB Obligation at 07/01/08** | 0 | 0 | 0 | 0 |
| Interest on Net OPEB Obligation | | | | |
| **Annual Required Contribution (ARC) - minimum basis** | | | | |
| Normal Cost | 52,980 | 39,112 | 26,420 | 19,458 |
| Amortization of UAAL (30 yrs, increasing) | 396,469 | 213,705 | 121,156 | 199,320 |
| Interest to 06/30/09 | 0 | 0 | 0 | 0 |
| Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09 | 449,449 | 252,817 | 147,576 | 218,778 |
| ARC Adjustment | | | | |
| **Expected Net Employer Contribution** for FYE 06/30/09 at 06/30/09 | 449,449 | 252,817 | 147,576 | 218,778 |
| **Expected Net OPEB Obligation** at 06/30/09 | 0 | 0 | 0 | 0 |

| | | | | |
|---|---|---|---|---|
| Current Year's Expected Benefit Payments | 373,251 | 143,608 | 106,015 | 212,146 |

# Glossary

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

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

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

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

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

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

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

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

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

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

## Glossary (Continued)

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

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

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

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

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

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

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

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

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

## Glossary (Concluded)

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

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

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

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

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

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

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