



CITY OF STOCKTON  
RETIREE HEALTHCARE PLAN

BARTEL  
ASSOCIATES, LLC

June 30, 2009 GASB 45 Actuarial Valuation  
Revised Final Results

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Bartel Associates, LLC

December 15, 2010

AGENDA

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## BENEFIT SUMMARY

■ Eligibility	<ul style="list-style-type: none"><li>• Service retirement:<ul style="list-style-type: none"><li>➢ Age 50 and 5 years CalPERS service</li><li>➢ Age 50 and 15 years City service for SCEA, Trades &amp; Maintenance, Operations &amp; Maintenance MUD</li></ul></li><li>• Disability retirement:<ul style="list-style-type: none"><li>➢ CalPERS disability retirement</li><li>➢ No disability retirement benefit for Trades &amp; Maintenance, Operations &amp; Maintenance MUD</li></ul></li><li>• Retire directly from City</li></ul>
■ Active Healthcare Benefit	<ul style="list-style-type: none"><li>• 100% medical, dental, and vision coverage</li><li>• Police and Police Management have employee contributions since 2007</li><li>• Unrepresented, Law Department, Trades &amp; Maintenance have employee contributions starting 2010</li></ul>



## BENEFIT SUMMARY

■ Retiree Medical Benefit	<ul style="list-style-type: none"><li>• Before age 65 - 100% medical for retiree plus 1 spouse or dependent</li><li>• After Age 65 - 100% Medicare supplemental coverage for retiree plus 1 spouse or dependent for retirements on or after:<ul style="list-style-type: none"><li>➢ 1/1/85 for Mgt &amp; Confid, Mid-Mgt &amp; Supervisory, Law Dept</li><li>➢ 1/1/90 for Police Mgt</li><li>➢ 1/1/96 for Fire</li><li>➢ 1/1/97 for Fire Mgt, SCEA, Trades &amp; Maintenance</li><li>➢ 8/1/98 for Police</li></ul></li><li>• Capped at 7/1/12 cost for Police hired before 7/1/07 who retire after 6/30/12</li><li>• Capped at 7/1/13 cost for Police Mgt hired before 7/1/07 who retire after 6/30/13</li><li>• City pays Medicare Part A premium for non-Medicare eligible retirees for Fire retired <math>\geq</math> 1/1/96, Fire Mgt retired <math>\geq</math> 1/1/97, Police retired <math>&gt;</math> 7/1/06, and Police Mgt retired <math>&gt;</math> 7/1/06</li><li>• Trades &amp; Maintenance can participate in OEHWI for pre-Medicare coverage and join the City's plan at age 65 with the City contribution equal to average active and retiree enrollee cost</li></ul>
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## BENEFIT SUMMARY

<ul style="list-style-type: none"> <li>■ Retiree Contributions</li> </ul>	<ul style="list-style-type: none"> <li>• Retiree pays \$121 monthly (\$166 monthly effective 1/1/11) contribution for additional dependents</li> <li>• Disability retiree pays monthly contribution for years greater than 15 before age 65: \$259 for single, \$453 for 2-party, \$574 for family (\$355 for single, \$621 for 2-party, \$786 for family effective 1/1/11)</li> <li>• Police &amp; Police Mgt retirees hired after 7/1/07 and Mid-Mgt &amp; Supervisory and SCEA retirees hired after 1/1/09 participate in retiree medical trusts and can participate in the City's OPEB plan by paying the full premium cost</li> </ul>
<ul style="list-style-type: none"> <li>■ Retiree Dental Benefit</li> </ul>	<ul style="list-style-type: none"> <li>• 100% dental for retirees plus 1 spouse or dependent to age 65 for City Manager, Assistant City Manager, Deputy City Manager II, Department Heads (including Police Chief and Fire Chief), Executive Plan Law Department</li> <li>• No City retiree dental contribution for other employee groups</li> </ul>



## BENEFIT SUMMARY

<ul style="list-style-type: none"> <li>■ Surviving Spouse Benefit</li> </ul>	<ul style="list-style-type: none"> <li>• Active Retirement Eligible Death - 100% medical to age 65; 100% dental and vision for Mid-Management &amp; Supervisory to age 65</li> <li>• Active Safety Line-of-Duty Death - 100% medical, dental, and vision to age 65 for surviving spouse and dependents. (Per City but only in Fire Mgt MOU for Battalion Chiefs)</li> <li>• Retiree Death - 100% medical to age 65, 100% medical after age 65 if retiree eligible</li> </ul>															
<ul style="list-style-type: none"> <li>■ Other Retiree Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Retiree medical trust in lieu of retiree medical defined benefit plan for Police &amp; Police Management retirees hired after 7/1/07 and Mid-Mgt &amp; Supervisory and SCEA retirees hired after 1/1/09</li> <li>• GASB 45 applicable to retiree medical trusts, not included in this valuation</li> </ul>															
<ul style="list-style-type: none"> <li>■ Pay-As-You-Go Cost (000s)</li> </ul>	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Year</th> <th style="text-align: center;">City</th> <th style="text-align: center;">CAFR</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2009/10</td> <td style="text-align: center;">\$13,842 (est.)</td> <td style="text-align: center;">n/a</td> </tr> <tr> <td style="text-align: center;">2008/09</td> <td style="text-align: center;">10,093</td> <td style="text-align: center;">\$10,388</td> </tr> <tr> <td style="text-align: center;">2007/08</td> <td style="text-align: center;">8,551</td> <td style="text-align: center;">9,193</td> </tr> <tr> <td style="text-align: center;">2006/07</td> <td style="text-align: center;">8,063</td> <td style="text-align: center;">7,855</td> </tr> </tbody> </table>	Year	City	CAFR	2009/10	\$13,842 (est.)	n/a	2008/09	10,093	\$10,388	2007/08	8,551	9,193	2006/07	8,063	7,855
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**DATA SUMMARY**

**Miscellaneous Participant Statistics - 6/30/10**

Participants	Unrep Mgt Confid	Mid Mgt & Super	Law Dept	SCEA	Trades & Maint	Super MUD	Oper & Maint MUD	Total Misc
■ Actives <sup>1</sup>								
• Count	85	110	11	398	85	9	121	819
• Average Age	47.1	48.9	44.3	45.9	50.4	57.4	46.3	47.0
• Average Service	11.3	14.5	13.4	10.4	14.7	22.1	11.1	11.8
• Average Pay	\$92,175	\$89,193	\$96,858	\$57,387	\$53,739	\$76,477	\$55,005	\$65,279
• Total Pay (000's)	7,835	9,811	1,065	22,840	4,568	688	6,656	53,463
■ Retirees								
➢ Count < 65	59	96	3	112	69	1	7	347
➢ Count ≥ 65	<u>87</u>	<u>63</u>	<u>5</u>	<u>61</u>	<u>41</u>	<u>0</u>	<u>3</u>	<u>260</u>
• Total	146	159	8	173	110	1	10	607
• Disb Ret in Total	4	5	0	9	2	0	1	21
• Average Age	68.6	64.3	65.4	63.2	63.9	63.8	62.7	64.9
• Ave Svc Ret Age	58.1	58.3	58.5	58.9	59.3	63.1	62.8	58.7
• Ave Dis Ret Age	46.1	50.0	-	47.6	54.1	-	43.1	48.3
■ Retirees/Actives	172%	145%	73%	43%	129%	11%	8%	74%

<sup>1</sup> 5 Mid-Mgt & Super and 10 SCEA employees hired > 1/1/09 were excluded. Includes 13 other employees hired > 6/30/09.



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**DATA SUMMARY**

**Miscellaneous Participant Statistics - 1/1/07**

Participants	Unrep Mgt Confid	Mid Mgt & Super	Law Dept	SCEA	Trades & Maint	Super MUD	Oper & Maint MUD	Total Misc
■ Actives								
• Count	113	145	18	435	148	n/a	n/a	859
• Average Age	47.3	50.3	47.5	46.0	51.3	n/a	n/a	47.8
• Average Service	11.3	16.2	12.0	11.2	14.8	n/a	n/a	12.7
• Average Pay	\$87,370	\$75,233	\$94,901	\$49,940	\$43,975	n/a	n/a	\$59,048
• Total Pay (000's)	9,873	10,909	1,708	21,724	6,508	n/a	n/a	50,722
■ Retirees						n/a	n/a	
➢ Count < 65	41	64	4	68	60	n/a	n/a	237
➢ Count ≥ 65	<u>35</u>	<u>74</u>	<u>1</u>	<u>32</u>	<u>25</u>	n/a	n/a	<u>167</u>
• Total	76	138	5	100	85	n/a	n/a	404
• Average Age	65.4	67.1	63.1	62.6	61.6	n/a	n/a	64.4
• Ave Ret Age	58.3	58.8	57.0	58.4	58.0	n/a	n/a	58.4
■ Retirees/Actives	67%	95%	28%	23%	57%	n/a	n/a	47%



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**DATA SUMMARY**

**Safety Participant Statistics - 6/30/10**

<b>Participants</b>	<b>Police Mgt</b>	<b>Police</b>	<b>Fire Mgt</b>	<b>Fire</b>	<b>Total Safety</b>	<b>Plan Total</b>
<b>■ Actives<sup>2</sup></b>						
• Count	18	309	8	218	553	<b>1,372</b>
• Average Age	45.0	39.0	44.3	38.7	39.2	<b>43.9</b>
• Average Service	20.5	11.8	18.1	10.9	11.8	<b>11.8</b>
• Average Pay	\$151,548	\$98,058	\$134,783	\$92,248	\$98,040	<b>\$78,483</b>
• Total Pay (000's)	2,728	30,300	1,078	20,110	54,216	<b>107,679</b>
<b>■ Retirees</b>						
➢ Count < 65	21	168	7	103	299	<b>646</b>
➢ Count ≥ 65	<u>10</u>	<u>10</u>	<u>6</u>	<u>39</u>	<u>65</u>	<b><u>325</u></b>
• Total	31	178	13	142	364	<b>971</b>
• Disb Ret in Total	6	89	2	35	132	<b>153</b>
• Average Age	61.3	54.7	63.0	61.0	58.0	<b>62.4</b>
• Ave Svc Ret Age	52.9	53.0	54.0	54.5	53.8	<b>57.3</b>
• Ave Dis Ret Age	51.0	42.4	52.6	50.7	45.2	<b>45.6</b>
<b>■ Retirees/Actives</b>	<b>172%</b>	<b>58%</b>	<b>163%</b>	<b>65%</b>	<b>66%</b>	<b>71%</b>

<sup>2</sup> 13 Police employees hired after 7/1/07 were excluded as they participate in a retiree medical trust and not the OPEB plan.



**DATA SUMMARY**

**Safety Participant Statistics -1/1/07**

<b>Participants</b>	<b>Police Mgt</b>	<b>Police</b>	<b>Fire Mgt</b>	<b>Fire</b>	<b>Total Safety</b>	<b>Plan Total</b>
<b>■ Actives<sup>3</sup></b>						
• Count	21	359	8	256	644	<b>1,503</b>
• Average Age	44.3	37.0	46.4	38.1	37.8	<b>43.5</b>
• Average Service	18.8	9.8	21.5	9.9	10.3	<b>11.7</b>
• Average Pay	\$106,997	\$62,317	\$109,227	\$74,807	\$69,322	<b>\$63,450</b>
• Total Pay (000's)	2,247	22,372	874	19,151	44,643	<b>95,365</b>
<b>■ Retirees</b>						
➢ Count < 65	16	153	10	109	288	<b>525</b>
➢ Count ≥ 65	<u>7</u>	<u>2</u>	<u>2</u>	<u>13</u>	<u>24</u>	<b><u>191</u></b>
• Total	23	155	12	122	312	<b>716</b>
• Average Age	61.5	53.9	61.9	60.3	57.3	<b>61.3</b>
• Ave Ret Age	53.3	47.9	54.5	53.9	50.9	<b>55.1</b>
<b>■ Retirees/Actives</b>	<b>110%</b>	<b>43%</b>	<b>150%</b>	<b>48%</b>	<b>48%</b>	<b>48%</b>

<sup>3</sup> 57 Police employees hired after 7/1/05 were excluded as they participate in a retiree medical trust and not the OPEB plan.



DATA SUMMARY

**Participant Reconciliation**

Participants	Actives	Retirees
■ January 1, 2007	1,503	716
• Terminations/Ineligible Deaths	(107)	-
• New Retirees/Eligible Deaths	(298)	298
• Retiree Deaths without Survivor	-	(41)
• New Eligible Actives	186	-
• Rehired Retirees	18	(18)
• Prior Omissions (MUD)	70	16
■ June 30, 2010	1,372	971



DATA SUMMARY

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**ACTUARIAL ASSUMPTIONS HIGHLIGHTS**

Assumption	6/30/07 Valuation	6/30/09 Valuation
■ Valuation Date	<ul style="list-style-type: none"> <li>• June 30, 2007</li> <li>• 2007/08 and 2008/09 ARCs</li> <li>• No lag period</li> </ul>	<ul style="list-style-type: none"> <li>• June 30, 2009</li> <li>• 2009/10 and 2010/11 ARCs</li> <li>• No lag period</li> </ul>
■ Discount Rate	<ul style="list-style-type: none"> <li>• 4.50% - Not pre-funded; assets in City investment fund</li> <li>• 7.00% - Pre-funded in segregated diversified trust</li> </ul>	<ul style="list-style-type: none"> <li>• 4.50% - Not pre-funded; assets in City investment fund</li> <li>• 7.75% - ARC pre-funded with CalPERS CERBT (sensitivity)</li> </ul>
■ Claims Cost Assumption	<ul style="list-style-type: none"> <li>• Based on national population data and coverage elections</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the City's healthcare actuary's 2009/10 retiree-only healthcare rates</li> </ul>
■ Dental and Vision Trend	<ul style="list-style-type: none"> <li>• 4.5% annually</li> </ul>	<ul style="list-style-type: none"> <li>• Dental - 5.0% annually</li> <li>• Vision - 3.0% annually</li> </ul>
■ Medical Rates	<ul style="list-style-type: none"> <li>• Non-Medicare eligible medical trend</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>



**ACTUARIAL ASSUMPTIONS HIGHLIGHTS**

Assumption	6/30/07 Valuation	6/30/09 Valuation																																																
■ Medical Trend	<p align="center"><u>Increase From Prior Year</u></p> <table border="1"> <thead> <tr> <th>FYB</th> <th>Non-Medicare</th> <th>Medicare</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>11.25%</td> <td>11.70%</td> </tr> <tr> <td>2009</td> <td>10.50%</td> <td>10.90%</td> </tr> <tr> <td>2010</td> <td>9.75%</td> <td>10.10%</td> </tr> <tr> <td>2011</td> <td>9.00%</td> <td>9.30%</td> </tr> <tr> <td>2012</td> <td>8.25%</td> <td>8.50%</td> </tr> <tr> <td>↓</td> <td>↓</td> <td>↓</td> </tr> <tr> <td>2017+</td> <td>4.50%</td> <td>4.50%</td> </tr> </tbody> </table>	FYB	Non-Medicare	Medicare	2008	11.25%	11.70%	2009	10.50%	10.90%	2010	9.75%	10.10%	2011	9.00%	9.30%	2012	8.25%	8.50%	↓	↓	↓	2017+	4.50%	4.50%	<p align="center"><u>Increase From Prior Year</u></p> <table border="1"> <thead> <tr> <th>FYB</th> <th>Non-Medicare</th> <th>Medicare</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td colspan="2">n/a</td> </tr> <tr> <td>2009</td> <td colspan="2">Retiree Rates</td> </tr> <tr> <td>2010</td> <td colspan="2">Retiree Rates</td> </tr> <tr> <td>2011</td> <td>9.00%</td> <td>9.30%</td> </tr> <tr> <td>2012</td> <td>8.25%</td> <td>8.50%</td> </tr> <tr> <td>↓</td> <td>↓</td> <td>↓</td> </tr> <tr> <td>2017+</td> <td>4.50%</td> <td>4.50%</td> </tr> </tbody> </table>	FYB	Non-Medicare	Medicare	2008	n/a		2009	Retiree Rates		2010	Retiree Rates		2011	9.00%	9.30%	2012	8.25%	8.50%	↓	↓	↓	2017+	4.50%	4.50%
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**RESULTS**

**Actuarial Obligations**

**4.50% Discount Rate**

(Amounts in 000's)

Actuarial Obligations	6/30/07 Valuation	6/30/09 Valuation
<ul style="list-style-type: none"> <li>■ <b>Present Value of Benefits</b> <ul style="list-style-type: none"> <li>• Actives</li> <li>• Retirees</li> <li>• Total</li> </ul> </li> </ul>	\$408,645 <u>183,509</u> 592,154	\$ 366,044 <u>365,234</u> 731,278
<ul style="list-style-type: none"> <li>■ <b>Actuarial Accrued Liability</b> <ul style="list-style-type: none"> <li>• Actives</li> <li>• Retirees</li> <li>• Total</li> </ul> </li> </ul>	204,794 <u>183,509</u> 388,303	178,468 <u>365,234</u> 543,702
<ul style="list-style-type: none"> <li>■ <b>Actuarial Value of Assets</b></li> </ul>	-	-
<ul style="list-style-type: none"> <li>■ <b>Unfunded Actuarial Accrued Liability</b></li> </ul>	388,303	543,702
<ul style="list-style-type: none"> <li>■ <b>Normal Cost (Next Fiscal Year)</b></li> </ul>	17,784	17,068
<ul style="list-style-type: none"> <li>■ <b>Pay-As-You-Go Cost (Next Fiscal Year)</b></li> </ul>	10,492	15,198



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**RESULTS**

**Approximate Actuarial Gains & Losses**

**4.50% Discount Rate**

(Amounts in 000's)

Actuarial Gains & Losses	NC%	AAL
<ul style="list-style-type: none"> <li>■ 6/30/07 Actual</li> </ul>	18.1%	\$ 388,303
<ul style="list-style-type: none"> <li>■ 6/30/09 Projected</li> </ul>	18.1%	437,536
<ul style="list-style-type: none"> <li>■ Spouse Benefit Clarification</li> </ul>	2.1%	124,032
<ul style="list-style-type: none"> <li>■ Experience Losses (Gains):               <ul style="list-style-type: none"> <li>• Prior data omissions</li> <li>• Actual vs expected claims</li> <li>• Demographic &amp; other</li> </ul> </li> </ul>	0.1% (0.3%) 0.1%	17,914 (4,072) 32,733
<ul style="list-style-type: none"> <li>■ Assumption Changes:               <ul style="list-style-type: none"> <li>• CalPERS assumption changes</li> <li>• CalPERS service</li> <li>• Medicare eligibility</li> </ul> </li> </ul>	0.8% 0.2% (0.5%)	19,809 986 (38,762)
<ul style="list-style-type: none"> <li>■ Plan Change: Police Benefits Capped</li> </ul>	(4.7%)	(46,475)
<ul style="list-style-type: none"> <li>■ Total Changes</li> </ul>	(2.2%)	106,166
<ul style="list-style-type: none"> <li>■ 6/30/09 Actual</li> </ul>	15.9%	543,702



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**RESULTS**

**Annual Required Contribution (ARC)**

**4.50% Discount Rate**

(Amounts in 000's)

Annual Required Contribution	<u>6/30/07 Valuation</u>		<u>6/30/09 Valuation</u>	
	2007/08	2008/09	2009/10	2010/11 <sup>4</sup>
■ <b>ARC - \$</b>				
• Normal Cost	\$17,784	\$18,362	\$17,068	\$17,234
• UAAL Amortization	<u>16,017</u>	<u>16,537</u>	<u>23,759</u>	<u>26,574</u>
• Total	33,801	34,899	40,827	43,808
■ <b>Projected Eligible Payroll</b>	98,464	101,664	107,679	108,634 <sup>5</sup>
■ <b>ARC - % Eligible Payroll</b>				
• Normal Cost	18.1%	18.1%	15.9%	15.9%
• UAAL Amortization	<u>16.3%</u>	<u>16.3%</u>	<u>22.0%</u>	<u>24.4%</u>
• Total	34.4%	34.4%	37.9%	40.3%

<sup>4</sup> Includes amortization of contribution loss over 15 years. ARC for 2010/11 should be recalculated if there are significant changes to plan membership, benefit provisions, or the basis of any long-term actuarial assumptions.

<sup>5</sup> Payroll projected using pay increase assumption of 3.25% excluding retiree medical trust only participants.



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**RESULTS**

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**RESULTS**

**Miscellaneous Actuarial Obligations**

**4.50% Discount Rate – June 30, 2009**

(Amounts in 000's)

	Unrep Mgt Confid	Mid Mgt & Super	Law Dept	SCEA	Trades & Maint	Super MUD	Oper & Maint MUD	Total Misc
■ PVB								
• Actives	\$26,254	\$39,048	\$2,830	\$86,918	\$24,012	\$3,287	\$27,088	\$209,437
• Retirees	44,988	55,310	2,749	57,842	39,451	202	3,963	204,505
• Total	71,242	94,358	5,579	144,760	63,463	3,489	31,051	413,942
■ AAL								
• Actives	12,701	22,657	1,589	44,854	15,844	2,468	15,364	115,477
• Retirees	44,988	55,310	2,749	57,842	39,451	202	3,963	204,505
• Total	57,689	77,967	4,338	102,696	55,295	2,670	19,327	319,982
■ Normal Cost	1,474	1,942	124	3,906	913	151	1,135	9,645
■ PayGo Cost	1,940	2,517	125	2,504	1,793	21	200	9,100



**RESULTS**

**Miscellaneous Annual Required Contribution**

**4.50% Discount Rate - 2009/10 Fiscal Year**

(Amounts in 000's)

	Unrep Mgt Confid	Mid Mgt & Super	Law Dept	SCEA	Trades & Maint	Super MUD	Oper & Maint MUD	Total Misc
■ ARC								
• Normal Cost	\$1,474	\$1,942	\$124	\$3,906	\$ 913	\$151	\$1,135	\$9,645
• UAAL Amort	2,521	3,407	190	4,488	2,416	117	845	13,983
• Total	3,995	5,349	314	8,394	3,329	268	1,980	23,628
■ Eligible Payroll	7,835	9,811	1,065	22,840	4,568	688	6,656	53,463
■ ARC % Elig Pay								
• Normal Cost	18.8%	19.8%	11.6%	17.1%	20.0%	21.9%	17.1%	18.0%
• UAAL Amort	32.2%	34.7%	17.9%	19.7%	52.9%	17.1%	12.6%	26.2%
• Total	51.0%	54.5%	29.5%	36.8%	72.9%	39.0%	29.7%	44.2%



**RESULTS**

**Safety Actuarial Obligations**  
**4.50% Discount Rate – June 30, 2009**  
 (Amounts in 000's)

	Police Mgt	Police	Fire Mgt	Fire	Total Safety	Plan Total
■ PVB						
• Actives	\$3,809	\$44,424	\$3,941	\$104,432	\$156,607	\$366,044
• Retirees	14,672	81,904	5,155	58,998	160,729	365,234
• Total	18,481	126,328	9,096	163,430	317,336	731,278
■ AAL						
• Actives	2,474	18,585	2,382	39,550	62,991	178,468
• Retirees	14,672	81,904	5,155	58,998	160,729	365,234
• Total	17,146	100,489	7,537	98,548	223,720	543,702
■ Normal Cost	178	2,382	162	4,701	7,423	17,068
■ PayGo Cost	532	2,968	223	2,375	6,098	15,198



**RESULTS**

**Safety Annual Required Contribution**  
**4.50% Discount Rate - 2009/10 Fiscal Year**  
 (Amounts in 000's)

	Police Mgt	Police	Fire Mgt	Fire	Total Safety	Plan Total
■ ARC						
• Normal Cost	\$178	\$2,382	\$162	\$4,701	\$7,423	\$17,068
• UAAL Amort	749	4,391	329	4,306	9,776	23,759
• Total	927	6,773	491	9,007	17,199	40,827
■ Eligible Payroll	2,728	30,300	1,078	20,110	54,216	107,679
■ ARC % Eligible Pay						
• Normal Cost	6.5%	7.9%	15.0%	23.4%	13.7%	15.9%
• UAAL Amort	27.5%	14.5%	30.5%	21.4%	18.0%	22.0%
• Total	34.0%	22.4%	45.5%	44.8%	31.7%	37.9%



RESULTS

**Actuarial Obligations**  
**4.50% Discount Rate – June 30, 2009**  
 (Amounts in 000's)

Actuarial Obligations	Healthcare Claims	Retiree Contributions	City Cost
<b>■ Present Value of Benefits</b>			
• Actives	\$478,134	\$112,090	\$366,044
• Retirees	372,759	7,525	365,234
• Total	850,893	119,615	731,278
<b>■ Actuarial Accrued Liability</b>			
• Actives	225,348	46,880	178,468
• Retirees	372,759	7,525	365,234
• Total	598,107	54,405	543,702
<b>■ Actuarial Value of Assets</b>	-	-	-
<b>■ Unfunded Actuarial Accrued Liability</b>	598,107	54,405	543,702
<b>■ Normal Cost (Next Fiscal Year)</b>	22,399	5,331	17,068
<b>■ Pay-As-You-Go Cost (Next Fiscal Year)</b>	15,338	140	15,198



RESULTS

**Annual Required Contribution**  
**4.50% Discount Rate – 2009/10 Fiscal Year**  
 (Amounts in 000's)

Annual Required Contribution	Healthcare Claims	Retiree Contributions	City Cost
<b>■ ARC - \$</b>			
• Normal Cost	\$22,399	\$5,331	\$17,068
• UAAL Amortization	26,136	2,377	23,759
• Total	48,535	7,708	40,827
<b>■ Projected Eligible Payroll</b>	107,679	107,679	107,679
<b>■ ARC - % Eligible Payroll</b>			
• Normal Cost	20.8%	4.9%	15.9%
• UAAL Amortization	24.3%	2.3%	22.0%
• Total	45.1%	7.2%	37.9%



**RESULTS**

**Estimated Net OPEB Obligation (NOO) Illustration**

(Amounts in 000's)

Estimated Net OPEB Obligation	CAFR 2007/08	CAFR 2008/09	City 2009/10	Estimate 2010/11
■ <b>Discount Rate</b>	4.50%	4.50%	4.50%	4.50%
■ <b>NOO at Beginning of Year</b>	\$ 0	\$24,608	\$48,805	\$75,854
■ <b>Annual OPEB Cost</b>				
• Annual Required Contribution	33,801	34,987	40,827	43,808
• Interest on NOO	0	1,107	2,196	3,413
• NOO Adjustment	(0)	(1,509)	(2,132)	(4,244)
• Annual OPEB Cost	33,801	34,585	40,891	42,977
■ <b>Contributions</b>				
• Estimated Benefit Payments <sup>6</sup>	(9,193)	(10,388)	(13,842)	(16,867)
• Trust Pre-Funding	(0)	(0)	(0)	(0)
• Total Contribution	(9,193)	(10,388)	(13,842)	(16,867)
■ <b>NOO at End of Year</b>	24,608	48,805	75,854	101,964
■ <b>NOO Amortization Factor<sup>7</sup></b>	n/a	n/a	22.89	17.87

<sup>6</sup> Estimated cash payments shown for years after 2008/09 for purposes of illustration.

<sup>7</sup> Amortization factor is weighted factor used in amortization of the contribution loss portion of the projected ARCs.



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**RESULTS**

**Estimated No Pre-Funding Projection**

(Amounts in 000's)

Fiscal Year End	Begin Year NOO	ARC	AOC	Contribution			Contr % of ARC	Elig Pay	ARC % of Elig Pay	Contr % of Elig Pay
				Benefit Pmts	Pre- Fund	Total Contrib				
2010	\$48,805	\$40,827	\$40,891	(13,842)	\$ -	(13,842)	33.9%	107,679	37.9%	12.9%
2011	75,854	43,808	42,977	(16,867)	-	(16,867)	38.5%	108,634	40.3%	15.5%
2012	101,964	46,825	44,992	(18,472)	-	(18,472)	39.4%	109,353	42.8%	16.9%
2013	128,484	50,015	47,021	(19,968)	-	(19,968)	39.9%	109,897	45.5%	18.2%
2014	155,536	53,384	49,048	(21,579)	-	(21,579)	40.4%	110,124	48.5%	19.6%
2015	183,005	56,964	51,088	(23,123)	-	(23,123)	40.6%	110,161	51.7%	21.0%
2016	210,970	60,793	53,156	(24,649)	-	(24,649)	40.5%	110,062	55.2%	22.4%
2017	239,477	64,890	55,243	(26,124)	-	(26,124)	40.3%	109,763	59.1%	23.8%
2018	268,596	69,308	57,373	(27,435)	-	(27,435)	39.6%	109,388	63.4%	25.1%
2019	298,534	74,090	59,553	(28,947)	-	(28,947)	39.1%	108,916	68.0%	26.6%



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## RESULTS

### Discount Rate Sensitivity

**June 30, 2009**

(Amounts in 000's)

■ Discount Rate	4.50%	7.75%
■ Present Value of Benefits	\$731,278	\$415,210
■ Funded Status		
• Actuarial Accrued Liability	543,702	345,224
• Assets	-	-
• Unfunded AAL	543,702	345,224
■ UAAL % Payroll	505%	321%
■ ARC 2009/10		
• Normal Cost	17,068	8,338
• UAAL Amortization	23,759	22,284
• ARC	40,827	30,622
• ARC % of Payroll	37.9%	28.4%



## ACTUARIAL CERTIFICATION

This report presents the City of Stockton Retiree Healthcare Plan ("Plan") actuarial valuation as of June 30, 2009. The purpose of this valuation is to determine the Plan benefit obligations and funded status under Governmental Accounting Standards Board Statements Nos. 43 and 45 as of June 30, 2009 and calculate the 2009/10 and 2010/11 fiscal year Annual Required Contributions.

The valuation is based on Plan provisions, participant data, retiree funding rates, and contribution policy provided by the City and summarized in this report. We reviewed the participant data and claims for reasonableness but did not perform an audit. The valuation was prepared using generally accepted actuarial principles and practices and the actuarial methods and assumptions summarized in this report. The claims cost assumption was based on the 2009/10 and 2010/11 retiree funding rates provided by the City's healthcare actuary. The assumptions represent our best estimate of expected future experience. The Plan is assumed to be ongoing for valuation purposes. This does not imply that an obligation to continue the Plan exists.

This report presents Bartel Associates' best estimate of the Plan's liabilities, funded status, and costs in accordance with our understanding of GASB 43 and 45. The information presented in this report is intended to be used to satisfy the requirements of GASB 43 and 45 and for no other purpose. The undersigned are members of the American Academy of Actuaries and meet Academy Qualification Standards to render the actuarial results and opinions in this report.

Respectfully submitted,

\_\_\_\_\_  
 John E. Bartel, ASA, EA, MAAA, FCA  
 President  
 Bartel Associates, LLC  
 December 15, 2010

\_\_\_\_\_  
 Joseph R. D'Onofrio, FSA, EA, MAAA, FCA  
 Assistant Vice President  
 Bartel Associates, LLC  
 December 15, 2010



EXHIBITS

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EXHIBITS

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## RETIREE RATES

### Retiree Monthly Rates<sup>8</sup>

**2009/10**

Healthcare Plan	EE	EE+Sp	EE+Ch	Family
Original Plan	\$572.13	\$1,144.26	\$1,144.26	\$1,487.53
Modified Plan	782.12	1,564.23	1,564.23	2,033.50
Dental	52.90	105.79	105.79	137.53
Vision	6.99	13.97	13.97	18.16

**2010/11**

Healthcare Plan	EE	EE+Sp	EE+Ch	Family
Original Plan	\$1,067.26	\$1,600.89	\$1,600.89	\$2,134.52
Modified Plan	868.95	1,564.11	1,564.11	2,085.49
Dental	51.13	102.27	102.27	132.95
Vision	6.77	13.53	13.53	17.59

<sup>8</sup> From the City's healthcare actuary's 2009 and 2010 Actuarial Valuation of Health Benefit Plan reports reflecting retiree experience only with Medicare eligible and non-Medicare eligible experience combined.



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## PARTICIPANT STATISTICS

### Medical Plan Coverage

Original Plan	EE	EE+Spouse	EE+Child	Family	Total
Actives	-	-	-	-	-
Retirees < 65	6	1	-	-	7
Retirees ≥ 65	27	25	-	-	52
Total	33	26	-	-	59

Modified Plan	EE	EE+Spouse	EE+Child	Family	Total
Actives	253	244	140	703	1,340
Retirees < 65	138	404	27	67	636
Retirees ≥ 65	71	196	2	4	273
Total	462	844	169	774	2,249

OEHWT	EE	EE+Spouse	EE+Child	Family	Total
Actives	1	15	5	11	32
Retirees < 65	1	1	-	-	2
Retirees ≥ 65	-	-	-	-	-
Total	2	16	5	11	34



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**PARTICIPANT STATISTICS**

**Actives by Age and City Service**  
Miscellaneous

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	4	1	-	-	-	-	5
25-29	4	43	8	-	-	-	-	55
30-34	2	29	14	4	-	-	-	49
35-39	2	38	26	20	2	-	-	88
40-44	1	38	29	31	16	4	-	119
45-49	2	20	29	33	35	23	10	152
50-54	1	27	31	32	26	20	37	174
55-59	1	11	19	23	17	20	15	106
60-64	-	7	18	10	12	5	10	62
≥ 65	-	2	2	2	2	1	-	9
<b>Total</b>	<b>13</b>	<b>219</b>	<b>177</b>	<b>155</b>	<b>110</b>	<b>73</b>	<b>72</b>	<b>819</b>



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**PARTICIPANT STATISTICS**

**Actives by Age and City Service**  
Safety

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	-	2	-	-	-	-	-	2
25-29	-	31	26	-	-	-	-	57
30-34	-	31	66	10	-	-	-	107
35-39	-	16	51	56	12	-	-	135
40-44	-	4	26	30	57	10	-	127
45-49	-	2	5	10	45	27	8	97
50-54	-	-	1	4	6	11	2	24
55-59	-	-	-	1	2	-	1	4
60-64	-	-	-	-	-	-	-	-
≥ 65	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>86</b>	<b>175</b>	<b>111</b>	<b>122</b>	<b>48</b>	<b>11</b>	<b>553</b>



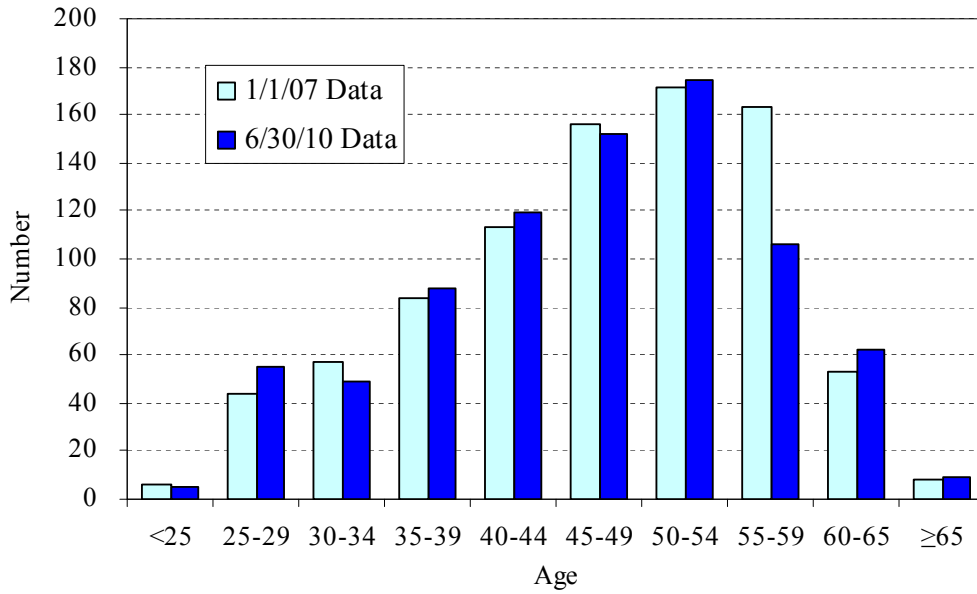
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**PARTICIPANT STATISTICS**

**Active Age Distribution**  
**Miscellaneous**



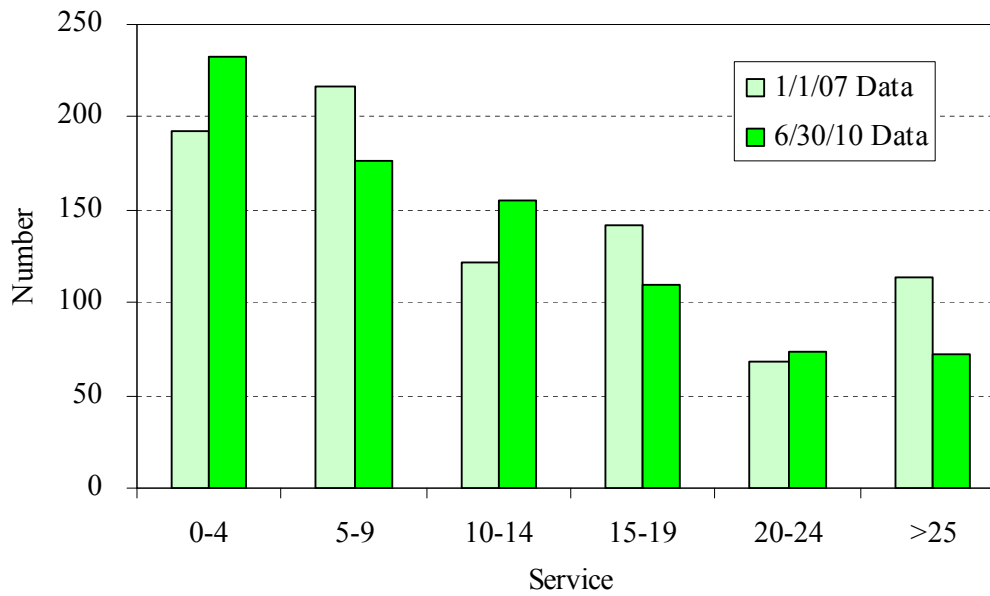
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**PARTICIPANT STATISTICS**

**Active Service Distribution**  
**Miscellaneous**



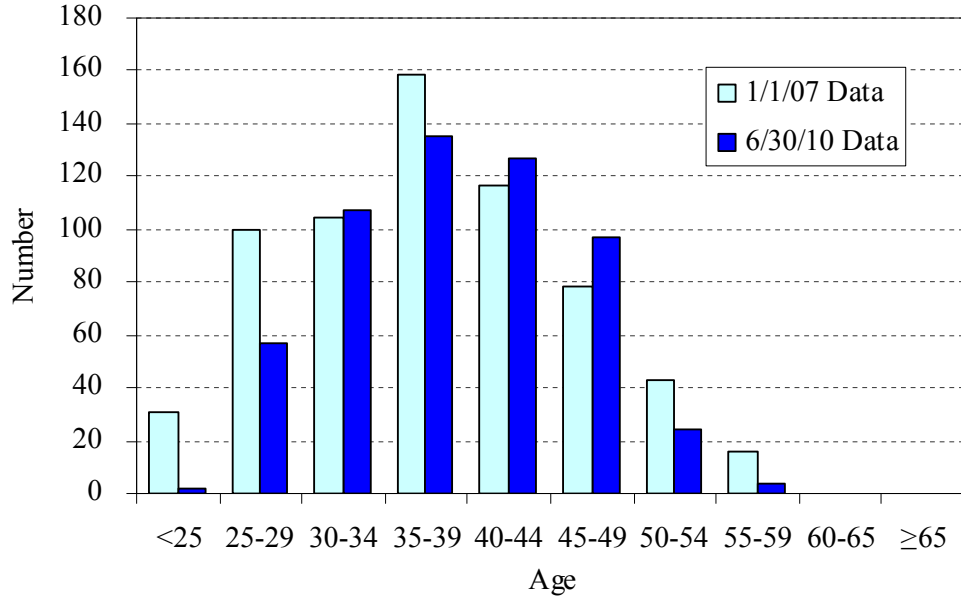
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**PARTICIPANT STATISTICS**

**Active Age Distribution**  
**Safety**



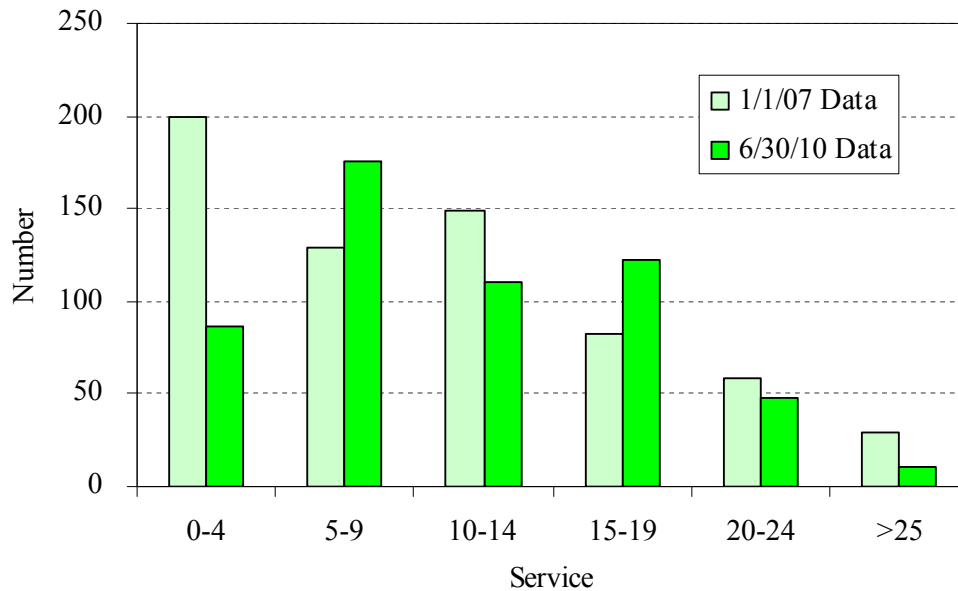
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**PARTICIPANT STATISTICS**

**Active Service Distribution**  
**Safety**



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**PARTICIPANT STATISTICS**

**Retiree Healthcare Coverage by Age Group**

**Miscellaneous**

<b>Age</b>	<b>EE</b>	<b>EE+Sp</b>	<b>EE+Ch</b>	<b>Family</b>	<b>Total</b>
Under 50	2	1	3	1	7
50-54	6	16	2	8	32
55-59	23	84	5	7	119
60-64	63	122	-	3	188
65-69	39	82	1	2	124
70-74	18	42	-	-	60
75-79	15	32	-	-	47
80-84	12	9	-	-	21
85 & Over	6	2	-	-	8
<b>Total</b>	<b>184</b>	<b>390</b>	<b>11</b>	<b>21</b>	<b>606</b>
<b>Average Age</b>	<b>66.8</b>	<b>64.8</b>	<b>53.6</b>	<b>56.7</b>	<b>64.9</b>



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**PARTICIPANT STATISTICS**

**Retiree Healthcare Coverage by Age Group**

**Safety**

<b>Age</b>	<b>EE</b>	<b>EE+Sp</b>	<b>EE+Ch</b>	<b>Family</b>	<b>Total</b>
Under 50	5	28	8	9	50
50-54	11	29	4	25	69
55-59	8	48	4	12	72
60-64	27	78	1	2	108
65-69	8	48	1	2	59
70-74	-	6	-	-	6
75-79	-	-	-	-	-
80-84	-	-	-	-	-
85 & Over	-	-	-	-	-
<b>Total</b>	<b>59</b>	<b>237</b>	<b>18</b>	<b>50</b>	<b>364</b>
<b>Average Age</b>	<b>59.3</b>	<b>59.2</b>	<b>51.4</b>	<b>53.1</b>	<b>58.0</b>



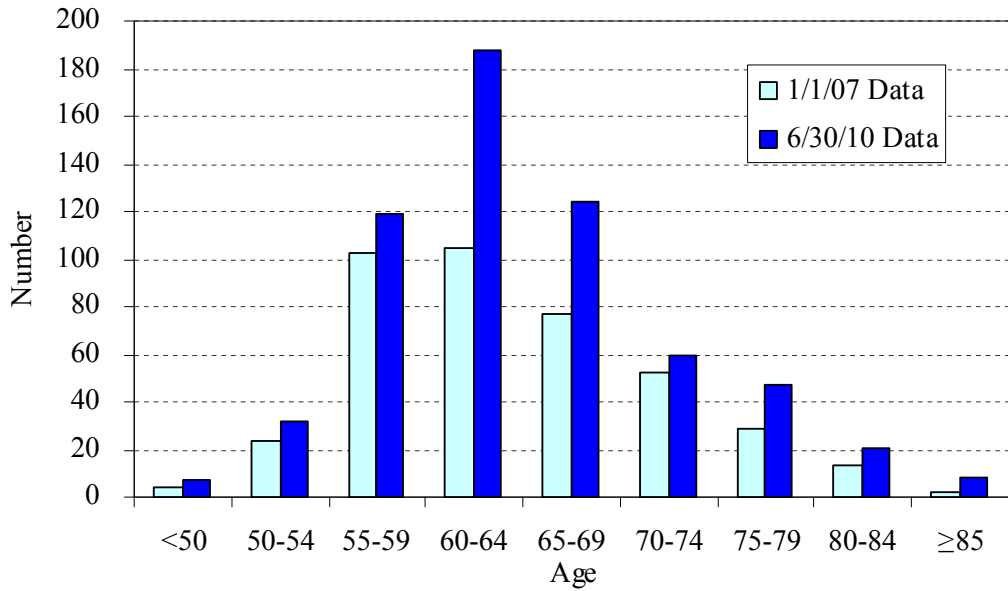
December 15, 2010

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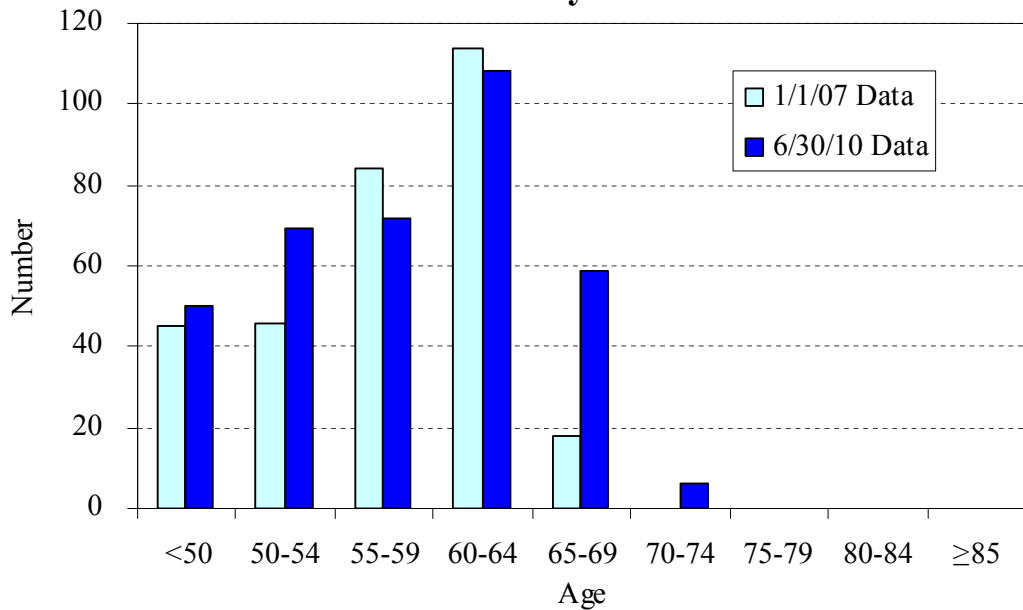
PARTICIPANT STATISTICS

**Retiree Age Distribution**  
**Miscellaneous**



PARTICIPANT STATISTICS

**Retiree Age Distribution**  
**Safety**



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>	<b>6/30/09 Valuation</b>
■ Valuation Date	<ul style="list-style-type: none"> <li>• June 30, 2007</li> <li>• 2007/08 and 2008/09 ARCs</li> <li>• No lag period</li> </ul>	<ul style="list-style-type: none"> <li>• June 30, 2009</li> <li>• 2009/10 and 2010/11 ARCs</li> <li>• No lag period</li> </ul>
■ Funding Policy	<ul style="list-style-type: none"> <li>• Pay-as-you-go</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>
■ Discount Rate	<ul style="list-style-type: none"> <li>• 4.50% - Not pre-funded; assets in City investment fund</li> <li>• 7.00% - Pre-funded in segregated diversified trust</li> </ul>	<ul style="list-style-type: none"> <li>• 4.50% - Not pre-funded; assets in City investment fund</li> <li>• 7.75% - ARC pre-funded with CalPERS CERBT (sensitivity)</li> </ul>
■ General Inflation	<ul style="list-style-type: none"> <li>• 3% annually</li> <li>• Basis for aggregate payroll and discount rate assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>
■ Aggregate Payroll Increases	<ul style="list-style-type: none"> <li>• 3.25% annually</li> <li>• Inflation plus 0.25%</li> <li>• For Normal Cost calculation and UAAL amortization</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>	<b>6/30/09 Valuation</b>
■ Merit Payroll Increases	<ul style="list-style-type: none"> <li>• CalPERS 1997-2002 Experience Study</li> <li>• Added to aggregate payroll increase assumption for Normal Cost calculation</li> </ul>	<ul style="list-style-type: none"> <li>• CalPERS 1997-2007 Experience Study</li> <li>• Added to aggregate payroll increase assumption for Normal Cost calculation</li> </ul>
■ Mortality, Termination, Disability	<ul style="list-style-type: none"> <li>• CalPERS 1997-2002 Experience Study</li> </ul>	<ul style="list-style-type: none"> <li>• CalPERS 1997-2007 Experience Study</li> </ul>
■ Participation at Retirement	<ul style="list-style-type: none"> <li>• Currently covered - 100%</li> <li>• Currently waived - none</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>
■ OEHW Cost	<ul style="list-style-type: none"> <li>• Same as City plan cost</li> </ul>	<ul style="list-style-type: none"> <li>• Same</li> </ul>



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>			<b>6/30/09 Valuation</b>		
■ <b>Medical Trend</b>	<u>Increase From Prior Year</u>			<u>Increase From Prior Year</u>		
	<u>FYB</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>FYB</u>	<u>Non-Medicare</u>	<u>Medicare</u>
	2008	11.25%	11.70%	2008	n/a	
	2009	10.50%	10.90%	2009	Retiree Rates	
	2010	9.75%	10.10%	2010	Retiree Rates	
	2011	9.00%	9.30%	2011	9.00%	9.30%
	2012	8.25%	8.50%	2012	8.25%	8.50%
	2013	7.50%	7.70%	2013	7.50%	7.70%
	2014	6.75%	6.90%	2014	6.75%	6.90%
	2015	6.00%	6.10%	2015	6.00%	6.10%
	2016	5.25%	5.30%	2016	5.25%	5.30%
2017+	4.50%	4.50%	2017+	4.50%	4.50%	
■ <b>Dental and Vision Trend</b>	<ul style="list-style-type: none"> <li>• 4.5% annually</li> </ul>			<ul style="list-style-type: none"> <li>• Dental - 5.0% annually</li> <li>• Vision - 3.0% annually</li> </ul>		
■ <b>Medical Rates</b>	<ul style="list-style-type: none"> <li>• Non- Medicare eligible medical trend</li> </ul>			<ul style="list-style-type: none"> <li>• Same</li> </ul>		



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>				<b>6/30/09 Valuation</b>					
■ <b>Claims Cost Assumption</b>	<ul style="list-style-type: none"> <li>• Based on national population data and coverage elections</li> </ul>				<ul style="list-style-type: none"> <li>• Based on the City's healthcare actuary's 2009/10 retiree-only healthcare rates</li> <li>• Includes expected administrative expenses, stop loss premiums, internal costs, and consulting fees</li> </ul>					
■ <b>Medical Employee Claims Cost By Age Modified Plan</b>	<u>Monthly Benefit</u>	<u>Not Eligible Medicare</u>	<u>Eligible Medicare</u>		<u>Monthly Benefit</u>	<u>Eligible Medicare</u>				
			2007/08			2009/10		2010/11		
	<u>Med/Rx</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>Med/Rx</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
	50-54	\$524	\$588	\$524	\$588	50-54	\$696	\$825	\$768	\$910
	55-59	767	702	767	702	55-59	902	850	996	939
	60-64	930	816	930	816	60-64	1,134	928	1,252	1,024
	65-69	909	791	459	403	65-69	464	412	512	455
	70-74	939	820	473	417	70-74	593	515	654	569
75-79	961	843	483	427	75-79	696	593	768	654	



**ACTUARIAL ASSUMPTIONS**

Assumption	6/30/07 Valuation				6/30/09 Valuation					
	Monthly Benefit	Not Eligible Medicare		Eligible Medicare		Monthly Benefit	Eligible Medicare			
		2007/08					2009/10		2010/11	
	Med/Rx	M	F	M	F	Med/Rx	M	F	M	F
■ Medical Spouse Claims Cost By Age Modified Plan	50-54	\$524	\$588	\$524	\$588	50-54	\$696	\$825	\$624	\$739
	55-59	767	702	767	702	55-59	902	850	809	762
	60-64	930	816	930	816	60-64	1,134	928	1,017	832
	65-69	909	791	459	403	65-69	464	412	416	370
	70-74	939	820	473	417	70-74	593	515	531	462
	75-79	961	843	483	427	75-79	696	593	624	531



**ACTUARIAL ASSUMPTIONS**

Assumption	6/30/07 Valuation				6/30/09 Valuation					
	Monthly Benefit	Not Eligible Medicare		Eligible Medicare		Monthly Benefit	Eligible Medicare			
		2007/08					2009/10		2010/11	
	Med/Rx	M	F	M	F	Med/Rx	M	F	M	F
■ Medical Employee Claims Cost By Age Original Plan	50-54	\$524	\$588	\$524	\$588	50-54	\$589	\$699	\$1,077	\$1,277
	55-59	767	702	767	702	55-59	764	721	1,397	1,317
	60-64	930	816	930	816	60-64	960	786	1,756	1,437
	65-69	909	791	459	403	65-69	393	349	718	638
	70-74	939	820	473	417	70-74	502	437	918	798
	75-79	961	843	483	427	75-79	590	502	1,077	918





**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>				<b>6/30/09 Valuation</b>					
<b>■ Medical Spouse Claims Cost By Age Original Plan</b>	<b>Monthly Benefit</b>	<b>Not Eligible Medicare</b>	<b>Eligible Medicare</b>		<b>Monthly Benefit</b>	<b>Eligible Medicare</b>				
			<b>2007/08</b>			<b>2009/10</b>		<b>2010/11</b>		
	<b>Med/Rx</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>	<b>Med/Rx</b>	<b>M</b>	<b>F</b>	<b>M</b>	<b>F</b>
	50-54	\$524	\$588	\$524	\$588	50-54	\$589	\$699	\$577	684
	55-59	767	702	767	702	55-59	764	721	748	705
	60-64	930	816	930	816	60-64	960	786	941	770
	65-69	909	791	459	403	65-69	393	349	385	342
	70-74	939	820	473	417	70-74	502	437	492	428
75-79	961	843	483	427	75-79	590	502	577	492	
<b>■ Retiree Contributions</b>	<ul style="list-style-type: none"> <li>Dependent and disabled retiree contributions – non-Medicare eligible medical trend</li> </ul>				<ul style="list-style-type: none"> <li>Dependent and disabled retiree contributions - medical trend</li> <li>Police contributions after 7/1/12 and Police Mgt contributions after 7/1/13 - Equal to increased cost using retire rates and medical trend</li> </ul>					



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>				<b>6/30/09 Valuation</b>			
<b>■ CalPERS Service</b>	<ul style="list-style-type: none"> <li>City service</li> </ul>				<ul style="list-style-type: none"> <li>City service plus ½ years between age 30 and City hire date</li> <li>For merit pay increase, termination, and service retirement tables which are based on total CalPERS service</li> </ul>			
<b>■ Service Retirement</b>	<ul style="list-style-type: none"> <li>CalPERS 1997-2002 Experience Study</li> </ul>				<ul style="list-style-type: none"> <li>CalPERS 1997-2007 Experience Study</li> </ul>			
		<b>Misc</b>	<b>Police</b>	<b>Fire</b>		<b>Misc</b>	<b>Police</b>	<b>Fire</b>
	Benefit	2%@55	3%@50	3%@50	Benefit	2%@55	3%@50	3%@50
	City Hire	35	27	28	PERS Hire	32	27	27
ERA	59.9	54.2	54.7	ERA	59.0	53.8	54.8	



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>	<b>6/30/09 Valuation</b>																		
<ul style="list-style-type: none"> <li>Retiree Medical Trust Participation</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Police &amp; Police Management retirees hired after 7/1/07 and Mid-Mgt &amp; Supervisory and SCEA retirees hired after 1/1/09 – Valuation assumes that retiree rates will be set to fully fund healthcare costs with no additional cost to plan</li> </ul>																		
<ul style="list-style-type: none"> <li>Medicare Eligibility</li> </ul>	<table border="0"> <tr> <td><u>Actives</u></td> <td><u>Misc</u></td> <td><u>Safety</u></td> </tr> <tr> <td>Hire &lt; 4/1/86</td> <td>75%</td> <td>85%</td> </tr> <tr> <td>Hire ≥ 4/1/86</td> <td>100%</td> <td>100%</td> </tr> <tr> <td><u>Current Retirees</u></td> <td><u>Misc</u></td> <td><u>Safety</u></td> </tr> <tr> <td>Hire &lt; 65</td> <td>80%</td> <td>90%</td> </tr> <tr> <td>Hire ≥ 65</td> <td>75%</td> <td>85%</td> </tr> </table> <ul style="list-style-type: none"> <li>All Medicare eligible retirees will elect Part B coverage</li> </ul>	<u>Actives</u>	<u>Misc</u>	<u>Safety</u>	Hire < 4/1/86	75%	85%	Hire ≥ 4/1/86	100%	100%	<u>Current Retirees</u>	<u>Misc</u>	<u>Safety</u>	Hire < 65	80%	90%	Hire ≥ 65	75%	85%	<ul style="list-style-type: none"> <li>Misc - 100% participate:                             <ul style="list-style-type: none"> <li>Retiree pays Part A premium if not eligible</li> <li>Retiree pays Part B premium</li> </ul> </li> <li>Safety - 95% eligible:                             <ul style="list-style-type: none"> <li>City pays Part A premium if not eligible</li> <li>Retiree pays Part B premium</li> </ul> </li> </ul>
<u>Actives</u>	<u>Misc</u>	<u>Safety</u>																		
Hire < 4/1/86	75%	85%																		
Hire ≥ 4/1/86	100%	100%																		
<u>Current Retirees</u>	<u>Misc</u>	<u>Safety</u>																		
Hire < 65	80%	90%																		
Hire ≥ 65	75%	85%																		



**ACTUARIAL ASSUMPTIONS**

<b>Assumption</b>	<b>6/30/07 Valuation</b>	<b>6/30/09 Valuation</b>
<ul style="list-style-type: none"> <li>Coverage &amp; Marital Status at Retirement</li> </ul>	<ul style="list-style-type: none"> <li>Based on current coverage election</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>
<ul style="list-style-type: none"> <li>Spouse Age</li> </ul>	<ul style="list-style-type: none"> <li>Current actives – males 3 years older than females</li> <li>Current retirees – males 3 years older than females if spouse birth date not provided</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>
<ul style="list-style-type: none"> <li>Surviving Spouse Coverage</li> </ul>	<ul style="list-style-type: none"> <li>100% elect coverage</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>
<ul style="list-style-type: none"> <li>Children at Retirement</li> </ul>	<ul style="list-style-type: none"> <li>Misc – 10% have children until age 65</li> <li>Safety – 20% have children until age 65</li> </ul>	<ul style="list-style-type: none"> <li>Same</li> </ul>



ACTUARIAL ASSUMPTIONS

Assumption	6/30/07 Valuation	6/30/09 Valuation
■ Substantive Plan	• Current plan provisions as described in the benefit summary are assumed to continue for purposes of the valuation with no implication that benefits are vested or that the City is or is not obliged to continue benefits as described in the benefit summary	



ACTUARIAL ASSUMPTIONS

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**ACTUARIAL METHODS**

<b>Method</b>	<b>June 30, 2009 Valuation</b>
■ Cost Method	<ul style="list-style-type: none"> <li>• Entry Age Normal</li> <li>• Normal Cost is a level percentage of payroll</li> </ul>
■ Plan Assets	<ul style="list-style-type: none"> <li>• None</li> </ul>
■ Amortization Method	<ul style="list-style-type: none"> <li>• Level percent of total employee payroll</li> </ul>
■ Amortization Periods	<ul style="list-style-type: none"> <li>• 28-year fixed (closed) period for 6/30/2009 UAAL</li> <li>• 15-year fixed (closed) period for contribution losses</li> </ul>
■ Implied Subsidy	<ul style="list-style-type: none"> <li>• Employer cost for allowing non-Medicare eligible retirees to participate at active rates</li> <li>• Valuation does not include an implied subsidy for medical because retiree medical rates used are for retiree experience only</li> </ul>



**ACTUARIAL METHODS**

<b>Method</b>	<b>June 30, 2009 Valuation</b>
■ Future New Entrants	<ul style="list-style-type: none"> <li>• Valuation Results - Closed group, no new hires</li> <li>• Projections - Simplified open group projection:               <ul style="list-style-type: none"> <li>➢ Actives - Pay increased in accordance with aggregate payroll assumption excluding future hires participating in retiree medical trust only</li> <li>➢ Retirees - no additional retirees from new hires</li> </ul> </li> </ul>



## DEFINITIONS

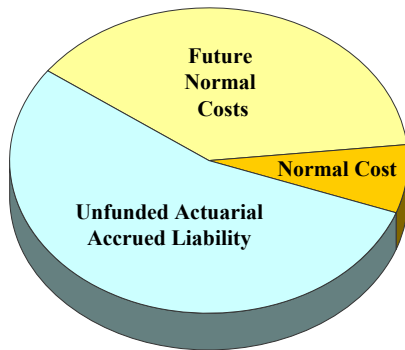
<p>■ <b>GASB 45 Accrual Accounting</b></p>	<ul style="list-style-type: none"> <li>● Project future employer-provided benefit cash flows for current active employees and current retirees</li> <li>● Discount projected cash flow to valuation date using discount rate (assumed return on assets used to pay benefits) and other actuarial assumptions to determine present value of projected future benefits (PVB)</li> <li>● Allocate PVB to past, current, and future periods using the actuarial cost method</li> <li>● Actuarial cost method used for this valuation is the Entry Age Normal Cost method which determines Normal Cost as a level percentage of payroll (same method used by CalPERS)</li> <li>● Normal Cost is amount allocated to current fiscal year</li> <li>● Actuarial Accrued Liability (AAL) is amount allocated to prior service with employer</li> <li>● Unfunded AAL (UAAL) is AAL less plan assets pre-funded in a segregated and restricted trust</li> </ul>
<p>■ <b>PayGo Cost</b></p>	<ul style="list-style-type: none"> <li>● Cash subsidy is the pay-as-you-go employer benefit payments for retirees</li> <li>● Implied subsidy is the difference between the actual cost of retiree benefits and retiree premiums subsidized by active employee premiums</li> </ul>



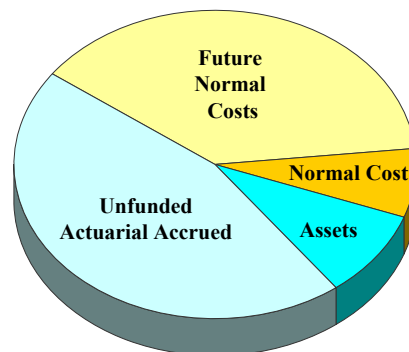
## DEFINITIONS

### Present Value of Benefits

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



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



## DEFINITIONS

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

