



# Yolo County Housing

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## BOARD OF COMMISSIONERS

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DATE: September 3, 2009  
TO: YCH Board of Commissioners  
FROM: Lisa A. Baker, Executive Director  
PREPARED BY: Mark Stern, Finance Director and Janis Holt, Resource Administrator  
SUBJECT: Review and Approve the YCH Actuarial Valuation of Other Post-Employment Benefit Programs (GASB 45)

### **RECOMMENDED ACTIONS:**

That the Board of Commissioners approve the YCH Actuarial Valuation of Other Post-Employment Benefit Programs (GASB 45).

### **BACKGROUND / DISCUSSION**

**GASB 45** is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with "other (than pension) post employment benefits" (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB.

In compliance with procurement procedures, YCH completed the Request For Proposals (RFP) process in March 2009 with the selection of Bickmore Risk Services (BRS) to provide the required actuarial valuation of OPEB programs. YCH staff provided BRS with required data enabling their assessment of the OPEB liabilities provided in the attached report.

YCH currently operates on a "pay as you go" basis without any prefunding of accrued liability. The Executive Summary provides the following projected liabilities with three options:

- *If no prefunding is adopted, we estimate the total cash outlay for retirees to be \$68,440 and the GASB 45 actuarial accrued liability (AAL) to be \$3,742,456.*
- *If entry age normal cost prefunding is adopted prospectively, we estimate the total cash outlay for the program to range from a minimum of \$243,248 to a*  
*Working together to provide affordable housing and community development services for all*

maximum of \$433,787 and the GASB 45 actuarial accrued liability (AAL) to be \$2,327,551.

- *If YCH elects to fully fund the plan through June 30, 2009, we estimate the total cash outlay for the program to be \$2,518,374.*

The pre-funding options with alternatives for minimum contributions are outlined in Tables 1A and 1B which includes a percentage of payroll contribution which will increase with time; or a level dollar contribution.

- a) YCH staff will continue to identify options for reduction of OPEB liabilities for consideration by the Board of Commissioners.

### **FISCAL IMPACT**

1. The 2009 Financial Audit will report an additional liability of \$3,742,456.
2. YCH will experience continued increases in projected retiree benefit payments. (Table 5).

### **CONCLUSION**

Staff recommends that the Board approve the YCH Actuarial Valuation of Other Post-Employment Benefit Programs (GASB 45).

Attachment: Yolo County Housing Actuarial Valuation of Other Post-Employment Benefit Programs



Bickmore Risk Services & Consulting

July 30, 2009

Ms. Janis R. Holt  
Resource Administrator  
Yolo County Housing  
147 W. Main Street  
Woodland, CA 95695

Dear Janis:

We are pleased to enclose our report providing the results of the January 1, 2009 actuarial valuation of "other post-employment benefits" (OPEB) liabilities for Yolo County Housing (YCH). The report's text describes our analysis and assumptions in detail.

As previously discussed, annual contributions will vary depending on whether YCH elects to pre-fund liabilities and, if so, how rapidly YCH elects to amortize the past service liability and whether amortization will be on a level percent of pay or level dollar basis. The report provides financial results for each approach. Pre-funding the plan supports use of a 7.75% interest rate; this significantly reduces the disclosed liabilities for funded programs compared to the results using the 4.5% interest rate applicable to the "pay-as-you-go" approach.

Pursuant to our discussions, the liabilities shown in this report reflect our understanding of YCH's current agreement with CalPERS/PEMHCA, as described in Table 3 of the enclosed report. The liabilities also reflect our discussions about retiree eligibility as well as the impact of several assumptions relating to utilization of this benefit. These assumptions include (a) the percent of eligible retirees who will elect coverage, (b) the subset of those who will elect to cover their spouse and (c) the number of active employees currently waiving coverage who may elect to re-join the plan at or prior to retirement.

We appreciate the opportunity to work with you on this analysis. Please let us know if we can be of further assistance.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey J. Furnish". The signature is written in a cursive, flowing style.

Jeff Furnish, FCA, ASA, MAAA  
Director, Health and Benefit Actuarial Services  
Enclosure

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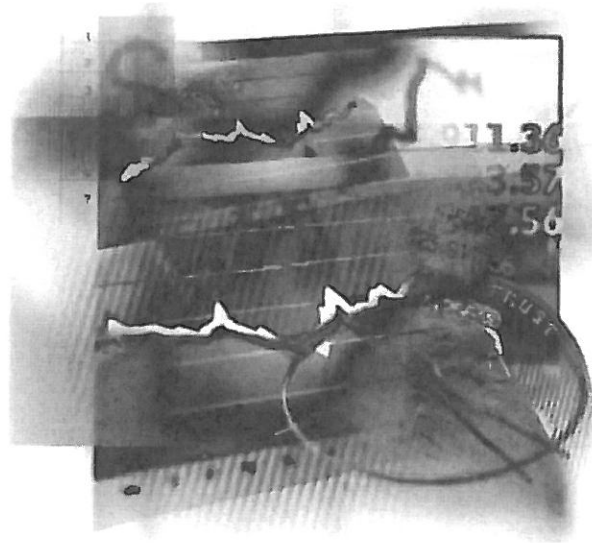


Bickmore Risk Services & Consulting

# Yolo County Housing

## Actuarial Valuation of Other Post-Employment Benefit Programs

*As of January 1, 2009*



*July 2009*



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## A. Executive Summary

This report presents the results of the January 1, 2009 actuarial valuation of the Yolo County Housing (YCH) "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).

In summary, under the actuarial methods and assumptions recommended below, the liabilities of this program for the fiscal year beginning July 1, 2008 are estimated as follows:

- *If no prefunding is adopted, we estimate the total cash outlay for retirees to be \$68,440 and the GASB 45 actuarial accrued liability (AAL) to be \$3,742,456.*
- *If entry age normal cost prefunding is adopted prospectively, we estimate the total cash outlay for the program to range from a minimum of \$243,248 to a maximum of \$433,787 and the GASB 45 actuarial accrued liability to be \$2,327,551.*
- *If YCH elects to fully fund the plan through June 30, 2009, we estimate the total cash outlay for the program to be \$2,518,374.*

The decision whether or not to prefund, and at what level, is at the discretion of YCH, as are the timing of GASB 45 adoption and the manner and term for paying down the unfunded actuarial accrued liability.



## **B. Requirements of GASB 45**

The Government Accounting Standards Board has mandated disclosure of OPEB liabilities for U.S. public employers 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 YCH maintains a fiscal year beginning July 1, the required implementation date of GASB 45 depends on YCH's revenue for the fiscal year which began July 1, 1998. If revenue for that year was less than \$10 million, YCH 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. Early compliance is encouraged by GASB, and may have financial advantages to YCH. If, for example (based on the information provided to us), YCH's revenues for the fiscal year which began July 1, 1998, were less than \$10 million, YCH must comply for the fiscal year beginning July 1, 2009, but could choose to adopt for the fiscal year beginning July 1, 2008.

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 YCH 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 YCH using the analysis in this report.

Finally, we note that various issues in this report may involve legal analysis of applicable law or regulations. YCH 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 YCH consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.



## C. Valuation Process

The valuation has been based on employee census data initially submitted to us by YCH in March 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 YCH as to its accuracy.

The benefits provided under the Plan are described in Table 3A from information supplied to BRS by YCH, and reflect our understanding (as confirmed by YCH) of YCH's current resolution in effect with CalPERS/PEMHCA. Additionally, we have modified the plan summary provided in the State of California OPEB Valuation as of July 1, 2007, dated May 7, 2007, for reference and included in this report as Table 3B. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

Because prefunding is at the discretion of YCH, we have provided disclosure figures (and projected cash outlays) on both the non-funded and pre-funded bases and have provided a number of options for amortizing the actuarial accrued liability (defined below).

As to the specific development of the figures shown in Tables 1A and 1B, which use the entry age normal cost method, we first developed an estimated total liability at retirement for each active employee. We applied the applicable trend assumption to develop an expected premium and/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 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". Amounts may be allocated by year over the employee's career as a level dollar amount or as a level percentage of payroll. In this valuation, costs are allocated as a level percentage of payroll. Amortization of the unfunded AAL together with amounts attributed to the fiscal year beginning July 1, 2008 form the "annual required contribution" (ARC).

An important issue in these calculations is treatment of implicit subsidies as defined in GASB 45. Where active employees and pre-Medicare retirees pay the same premium rates, because retirees are on average older than actives, there is an implicit subsidy of retiree coverage by active employee costs, which GASB 45 generally requires be attributed to the retiree liability (see paragraph 13.a. of GASB 45). However, there is a conditional exception to this rule where the employer plan is "community-rated", "in which premium rates reflect the projected health claims experience of all participating employers rather than that of any single participating employer, and the insurer or provider organization charges the same unadjusted premiums for both active employees and retirees". CalPERS 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). As YCH's program is a PEMHCA program, this report follows the CalPERS position and does not make age-related premium adjustments or compute an implicit rate subsidy.





## **D. Choice of Actuarial Funding Method and Assumptions**

GASB 45 allows the use of any of six actuarial funding methods. 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”. From this, it can be seen that 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. A brief description of the six permissible funding methods can be found in the glossary.

### **Factors Impacting the Selection of Funding Method**

The funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. 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.

The aggregate method will tend to produce the highest initial contributions. This theory would be appropriate if YCH wished to aggressively prefund the plan. This is commonly done by employers who wish to cover any unfunded liability as quickly as possible, or who wish to build up an investment fund quickly because they anticipate positive investment results.

The unit credit cost method tends to produce the lowest initial contributions to the plan, with relatively higher contributions in later years. Under YCH's retiree medical plan design, the method is equivalent to the projected unit credit method (PUC). This theory could be justified in several ways. First, the financial circumstance of being forced to immediately recognize this liability could justify limited initial recognition, especially for YCH as an early adopter. Second, there are aspects of the allowed actuarial funding methods which can overstate initial liabilities. For example, all of the approved methods are closed-group, recognizing only current employees. As new employees enter the plan in the future, they are generally younger and therefore less expensive than the average current employees. Third, YCH may believe that plan experience will be more favorable than that assumed in this report; for example, that medical trend will be less than predicted, or that favorable investment experience will occur, as described above. While we do not believe that the open-group approach would substantially lower the contributions computed by the entry age normal cost method (EANC), if YCH believes that any of the special circumstances cited above apply here, adoption of the unit credit cost method may be justified in the initial years of disclosure.

The entry age normal cost method generally produces initial contributions between the two methods described above, and is generally regarded by pension actuaries as the



## **Choice of Actuarial Funding Method and Assumptions (Continued)**

most stable of the funding methods. The goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, and this funding method effectively meets that goal in most circumstances. While we believe this approach is quite effective in creating intergenerational equity between generations of taxpayers, it is also fair to say that the method is most effective at doing that when it is implemented at the adoption of the benefit plan. Where, as here, funding is delayed, by definition, earlier generations have not paid their fair share. This could be an argument for either accelerated funding now (aggregate method) to more rapidly move to the true annual current service cost or transitional recognition (lower initial contributions) through use of the unit credit method. However, application of the entry age normal cost method as a percentage of payroll in the GASB 45 environment tends to produce lower initial contributions than unit credit while still keeping contributions level as a percentage of payroll, and so it is becoming the most commonly used method for GASB 45 compliance.

### **CalPERS Implications**

Special considerations apply to the selection of actuarial funding methods and assumptions for YCH. 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 YCH 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.

### **Choice in Amortization Period and Adoption Date**

The period and method for amortizing the AAL can significantly affect the ARC in current and future years. CalPERS indicates that the allowable range is the range prescribed by GASB 45. GASB 45 prescribes a maximum amortization period of 30 years and uses a minimum amortization period of 10 years for certain gains and losses; for simplicity of presentation, this report uses 10 year amortization as the minimum amortization period in order to define a “maximum contribution”. Amounts allocated as a level percentage of payroll can be expected to increase over time as payroll increases. An alternative is to amortize the unfunded AAL as a level dollar amount, so that this component of the ARC does not increase over time; only the normal cost would increase in concert with payroll increases in the future. The unfunded AAL would be extinguished by level dollar annual payments, much like a conventional mortgage.

When an organization adopts GASB 45, the statement generally anticipates amortization of the unfunded actuarial accrued liability will take place over a number of years. However, immediate full funding of the accrued liability is permitted. We have followed this approach in the final column of Table 1B; this is why the expected employer contribution is shown as the interest-adjusted sum of the normal cost and the accrued liability. While this approach requires a very high first year contribution to fund the entire AAL, expected contributions in future years are then reduced to the expected normal cost



## **Choice of Actuarial Funding Method and Assumptions (Concluded)**

(as a percentage of payroll). This method is most often adopted in one of the following circumstances:

1. The employer wishes to provide funding security for current and future retirees by accelerating funding;
2. The employer has substantial reserves or other assets invested in the Local Agency Investment Fund (LAIF) and prefers to access the higher expected rates of return through equity-based investments in a qualified trust; or
3. The employer believes the payment of past service liability is associated with previous ratepayers/taxpayers and believes payment of future normal costs only creates the fairest "intergenerational equity" for current and future ratepayers/taxpayers while stabilizing this element of the rate base (this concept is most commonly found with utilities or enterprise funds).

It would certainly be possible to fund most but not all of the AAL in the first year; calculations supplementing this report can be provided to YCH if such an approach becomes of interest here.

### **Contribution Timing**

Contributions in Tables 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 would apply. We are available to provide interest adjusted contributions in accordance with your intended contribution pattern at your request.



### E. 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 pension qualification requirements for rendering this opinion; in addition Jeff Furnish meets the health qualification requirements for rendering this opinion. Collectively, the undersigned team meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Signed: July 30, 2009

Francis M. Schauer Jr., FSA, FCA, EA, MAAA

Jeffrey J. Furnish, FCA, ASA, MAAA



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

<b>Funding Policy</b>			
Approach	Pay-As-You-Go	Prefunding	Prefunding
Adoption timing	Prospective	Prospective	Prospective
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
<b>Number of Covered Employees</b>			
Actives (participating)	31	31	31
Retirees	11	11	11
Total Participants	42	42	42
<b>Actuarial Present Value of Projected Benefits (APVPB)</b>			
Actives (participating)	\$ 4,149,495	\$ 1,940,498	\$ 1,940,498
Retirees	1,816,536	1,244,560	1,244,560
Total APVPB	5,966,031	3,185,058	3,185,058
<b>Actuarial Accrued Liability (AAL)</b>			
Actives (participating)	1,925,920	1,082,991	1,082,991
Retirees	1,816,536	1,244,560	1,244,560
Total AAL	3,742,456	2,327,551	2,327,551
<b>Actuarial Value of Assets</b>			
	0	0	0
<b>Unfunded AAL (UAAL)</b>			
	3,742,456	2,327,551	2,327,551
<b>Annual Required Contribution (ARC)</b>			
Normal Cost	205,866	99,806	99,806
Amortization of UAAL	147,728	134,651	187,372
Interest to 06/30/09	7,759	8,791	10,768
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	361,353	243,248	297,946
Additional payment expected toward UAAL	0	0	0
<b>Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09</b>			
	68,440	243,248	297,946
<b>Net OPEB Obligation at 07/01/08<sup>1</sup></b>			
	0	0	0
<b>Expected Net OPEB Obligation (Asset) at 06/30/09</b>			
	292,913	0	0
<hr/>			
Normal Cost as a percent of payroll	13.8%	6.7%	6.7%
ARC as a percent of payroll	24.2%	16.3%	20.0%
ARC per Active Ee	\$ 11,657	\$ 7,847	\$ 9,611

<sup>1</sup> Assumes adoption of GASB 45 for fiscal year ending 06/30/09. Net OPEB Obligation is \$0 at start of first fiscal year in which GASB 45 adopted with prospective application.



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

<b>Funding Policy</b>			
Approach	Prefunding	Prefunding	Prefunding
Adoption timing	Prospective	Prospective	Retrospective
Interest Rate	7.75%	7.75%	7.75%
Amortization method	Level % of pay	Level dollar	Level dollar
Amortization period (in years)	10	10	1
<b>Number of Covered Employees</b>			
Actives (participating)	31	31	31
Retirees	11	11	11
Total Participants	42	42	42
<b>Actuarial Present Value of Projected Benefits (APVPB)</b>			
Actives (participating)	\$ 1,940,498	\$ 1,940,498	\$ 1,940,498
Retirees	1,244,560	1,244,560	1,244,560
Total APVPB	3,185,058	3,185,058	3,185,058
<b>Actuarial Accrued Liability (AAL)</b>			
Actives (participating)	1,082,991	1,082,991	1,082,991
Retirees	1,244,560	1,244,560	1,244,560
Total AAL	2,327,551	2,327,551	2,327,551
<b>Actuarial Value of Assets</b>	0	0	0
<b>Unfunded AAL (UAAL)</b>	2,327,551	2,327,551	2,327,551
<b>Annual Required Contribution (ARC)</b>			
Normal Cost	99,806	99,806	99,806
Amortization of UAAL	279,909	318,304	2,327,551
Interest to 06/30/09	14,238	15,678	91,017
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	393,953	433,787	2,518,374
Additional payment expected toward UAAL	0	0	0
<b>Expected Net Employer Contribution for FYE 06/30/09 at 06/30/09</b>	393,953	433,787	2,518,374
<b>Net OPEB Obligation at 07/01/08</b>	0	0	0
<b>Expected Net OPEB Obligation (Asset) at 06/30/09</b>	0	0	0
<hr/>			
Normal Cost as a percent of payroll	6.7%	6.7%	6.7%
ARC as a percent of payroll	26.4%	29.1%	168.7%
ARC per Active Ee	\$ 12,708	\$ 13,993	\$ 81,238



**Table 1C**  
**Summary of Results by Group**

The tables beginning on this page break out explicit and implicit subsidies for each group on both an unfunded ("Pay-As-You-Go") basis and a prefunded basis. All results are shown on the minimum permissible basis under GASB 45, reflecting prospective adoption and amortization of the unfunded actuarial liability over a 30 year period on a level percent of pay basis).

Approach	<u>Pay-As-You-Go</u>	<u>Prefunding Using EAN</u>
Interest Rate	4.50%	7.75%
<b>Group 1 - General</b>		
Participants in Group		
Actives	23	23
Retirees	4	4
Total Participants	27	27
Actuarial Present Value of Projected Benefits (APVPB)		
Actives	3,195,397	1,484,365
Retirees	807,273	546,100
Total APVPB	4,002,670	2,030,465
Actuarial Accrued Liability (AAL)		
Actives	1,570,248	884,270
Retirees	807,273	546,100
Total AAL	2,377,521	1,430,370
Actuarial Value of Assets	0	0
Unfunded AAL (UAAL)	2,377,521	1,430,370
<b>Annual Required Contribution (ARC) - minimum basis</b>		
Normal Cost	146,536	68,415
Amortization of UAAL (30 yrs, increasing)	93,849	82,748
Interest to 06/30/09	5,275	5,668
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	245,660	156,831
<b>Expected Net Employer Contribution</b> for FYE 06/30/09 at 06/30/09	29,139	156,831
<b>Net OPEB Obligation at 07/01/08</b>	0	0
<b>Expected Net OPEB Obligation</b> at 06/30/09	216,521	0
Current Year's Expected Benefit Payments	29,139	0



**Table 1C  
(Continued)**

Approach	<u>Pay-As-You-Go</u>	<u>Prefunding Using EAN</u>
Interest Rate	4.50%	7.75%
<b>Group 2 - Management</b>		
Participants in Group		
Actives	4	4
Retirees	2	2
Total Participants	6	6
Actuarial Present Value of Projected Benefits (APVPB)		
Actives	565,296	255,804
Retirees	348,821	233,379
Total APVPB	914,117	489,183
Actuarial Accrued Liability (AAL)		
Actives	335,994	185,845
Retirees	348,821	233,379
Total AAL	684,815	419,224
Actuarial Value of Assets	0	0
Unfunded AAL (UAAL)	684,815	419,224
<b>Annual Required Contribution (ARC) - minimum basis</b>		
Normal Cost	19,334	7,421
Amortization of UAAL (30 yrs, increasing)	27,032	24,253
Interest to 06/30/09	1,017	1,188
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	47,383	32,862
<b>Expected Net Employer Contribution</b> for FYE 06/30/09 at 06/30/09	13,289	32,862
<b>Net OPEB Obligation at 07/01/08</b>	0	0
<b>Expected Net OPEB Obligation</b> at 06/30/09	34,094	0
Current Year's Expected Benefit Payments	13,289	0





**Table 1C  
(Continued)**

Approach	<u>Pay-As-You-Go</u>	<u>Prefunding Using EAN</u>
Interest Rate	4.50%	7.75%
<b>Group 3 - Executive / Exempt</b>		
Participants in Group		
Actives	4	4
Retirees	4	4
Total Participants	8	8
Actuarial Present Value of Projected Benefits (APVPB)		
Actives	388,802	200,329
Retirees	533,870	383,113
Total APVPB	922,672	583,442
Actuarial Accrued Liability (AAL)		
Actives	19,679	12,876
Retirees	533,870	383,113
Total AAL	553,549	395,989
Actuarial Value of Assets	0	0
Unfunded AAL (UAAL)	553,549	395,989
<b>Annual Required Contribution (ARC) - minimum basis</b>		
Normal Cost	39,996	23,970
Amortization of UAAL (30 yrs, increasing)	21,851	22,908
Interest to 06/30/09	1,357	1,758
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	63,204	48,636
<b>Expected Net Employer Contribution</b> for FYE 06/30/09 at 06/30/09		
	21,380	48,636
<b>Net OPEB Obligation at 07/01/08</b>	0	0
<b>Expected Net OPEB Obligation</b> at 06/30/09		
	41,824	0
Current Year's Expected Benefit Payments	21,380	0



**Table 1C  
(Concluded)**

Approach	<u>Pay-As-You-Go</u>	<u>Prefunding Using EAN</u>
Interest Rate	4.50%	7.75%
<b>Group 4 - Commissioner</b>		
Participants in Group		
Actives	0	0
Retirees	1	1
Total Participants	1	1
Actuarial Present Value of Projected Benefits (APVPB)		
Actives	0	0
Retirees	126,572	81,968
Total APVPB	126,572	81,968
Actuarial Accrued Liability (AAL)		
Actives	0	0
Retirees	126,572	81,968
Total AAL	126,572	81,968
Actuarial Value of Assets	0	0
Unfunded AAL (UAAL)	126,572	81,968
<b>Annual Required Contribution (ARC) - minimum basis</b>		
Normal Cost	0	0
Amortization of UAAL (30 yrs, increasing)	4,996	4,742
Interest to 06/30/09	110	178
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	5,106	4,920
<b>Expected Net Employer Contribution</b> for FYE 06/30/09 at 06/30/09	4,632	4,920
<b>Net OPEB Obligation at 07/01/08</b>	0	0
<b>Expected Net OPEB Obligation</b> at 06/30/09	474	0
Current Year's Expected Benefit Payments	4,632	0



**Table 2**  
**Summary of Employee Data**

YCH reported 31 active and 11 retired employees. Age and service 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						1	3%
25 to 29		2	1				3	10%
30 to 34		2		2			4	13%
35 to 39		1	1				2	6%
40 to 44		2		2	1		5	16%
45 to 49	3		1	1	1		6	19%
50 to 54		1		2	1		4	13%
55 to 59		2	1	1		2	6	19%
60 to 64							0	0%
65 to 69							0	0%
70 & Up							0	0%
<b>Total</b>	4	10	4	8	3	2	<b>31</b>	<b>100%</b>
<b>Percent</b>	13%	32%	13%	26%	10%	6%	<b>100%</b>	

(Percentages adjusted to total 100%)

Annual Covered Payroll	\$1,492,998
Average Attained Age for Actives	44.2
Average Years of Service	8.6

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	0	0%
55 to 59	1	9%
60 to 64	6	55%
65 to 69	1	9%
70 to 74	1	9%
75 to 79	1	9%
80 & up	1	9%
<b>Total</b>	<b>11</b>	<b>100%</b>
Average Attained Age for Retirees:		66.7



### Table 3A Summary of Retiree Benefit Provisions

YCH has indicated that the only OPEB provided is medical plan coverage. This coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

As provided by the Public Employees' Medical and Hospital and Care Act (PEMHCA), YCH has been under contract with CalPERS for medical plan coverage since 1989 and has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. There is a complicated set of rules used to determine the obligation to future retirees<sup>1</sup>, but the essence is that YCH will eventually be required to provide retiree medical benefits identical to that which it provides for active employees in the same plan at the same coverage levels. Between now and this eventual equal contribution date, the obligation increases annually by an amount not more than \$100 per month (\$1,200 per year).

YCH has executed several resolutions with CalPERS/PEMHCA. Based on these resolutions and discussions with YCH, the retiree medical benefits recognized for this valuation provide 100% of the monthly medical premium for retired employees and spouses, subject to the "unequal contribution" phase-in described in the preceding paragraph. We also valued a benefit for one retired Commissioner equal to 40% of the medical premium for him and his spouse. This amount is greater than that required by the resolution defining Commissioner benefits, but reflects the practice followed by YCH.

CalPERS provides medical benefits to California State employees and local agency (PEMHCA) employees. While benefits are essentially identical, monthly rates for coverage of covered active and retired employees are computed separately under the two programs. The tables on the following page provide 2009 rates for the Sacramento/Bay Area 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.

<sup>1</sup> Under this methodology (as modified by AB 2544 issued in March 2007 and effective January 1, 2008), the employer's contribution towards retiree medical benefits shall first be determined by multiplying together the following three items:

- 5% *times*
- The number of prior years the employer has been contracted with PEMHCA *times*
- The contribution the employer makes towards active employee health benefits

The maximum increase in the dollar amount of the retiree contribution in any one fiscal year is \$100. In no event must the contribution for retirees exceed the comparable cost subsidy provided to active employees.



**Table 3A  
(Concluded)**

<b>Sacramento/Bay Area 2009 Health Plan Rates (Actives and Pre-Med Retirees)</b>			
<b>Plan</b>	<b>Ee Only</b>	<b>Ee &amp; 1</b>	<b>Ee &amp; 2+</b>
Blue Shield HMO	\$560.57	\$1,121.14	\$1,457.48
Blue Shield NetValue HMO	\$495.50	\$991.00	\$1,288.30
Kaiser HMO	\$508.30	\$1,016.60	\$1,321.58
PERS Choice PPO	\$482.48	\$964.96	\$1,254.45
PERS Select PPO	\$453.16	\$906.32	\$1,178.22
PERS Care PPO	\$749.83	\$1,499.66	\$1,949.56
PORAC Association Plan	\$484.00	\$906.00	\$1,151.00
<b>Sacramento/Bay Area 2009 Health Plan Rates (Medicare Eligible)</b>			
<b>Plan</b>	<b>Ee Only</b>	<b>Ee &amp; 1</b>	<b>Ee &amp; 2+</b>
Blue Shield HMO	\$341.44	\$682.88	\$1,019.22
Blue Shield NetValue HMO	\$304.66	\$609.32	\$906.62
Kaiser HMO	\$280.16	\$560.32	\$865.30
PERS Choice PPO	\$349.11	\$698.22	\$987.71
PERS Select PPO	\$349.11	\$698.22	\$970.12
PERS Care PPO	\$404.60	\$809.20	\$1,259.10
PORAC Association Plan	\$330.00	\$657.00	\$902.00



## 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

#### Health Care Coverage

##### 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;



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

- Disabled children over age 23 who were never enrolled or who were deleted from coverage;
- Former spouses;
- Grandparents;
- Parents;
- Children of former spouses; and
- Other relatives

#### Death of a Member

Upon the death of an employee while in State service, the law requires the State employer to continue to pay contributions for the survivor's or registered domestic partner's health coverage for up to 120 days after the employee's death. Surviving family members will be eligible for health benefit coverage, provided they:

- Qualify for a monthly survivor check from CalPERS; and
- Were an eligible dependent at the time of the member's death and continue to qualify as eligible family members.

Surviving family members who do not meet the above qualifications may be eligible for COBRA.

Children of registered domestic partners may have continued eligibility if they were enrolled as family members at the time of a member's death.

#### 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.

#### Dental Benefits

##### Retired Employees

Retired State employees are eligible to continue enrollment in the State's Dental Program if they retire within 120 days after their date of separation and they receive a retirement allowance from CalPERS. Retired employees who did not continue dental coverage into retirement may enroll during the annual dental open enrollment period.



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

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.

2007 State Contribution

The 2007 maximum State Contribution amounts are as follows:

2007 State Contribution		
One Party Coverage	Two Party Coverage	Family Coverage
\$439.00	\$823.00	\$1,042.00

If the State retiree is signed up for a CalPERS sponsored Medicare plan and the monthly State contribution is more than the plan’s monthly premium, CalPERS will credit the retiree the difference between the two amounts, up to the amount of the Part B premium.

The actual amount of the contribution varies based on the employee type as described below.

State and CSU Employees (includes Misc., Industrial, CHP, POFF, and Safety)

For State Employees, the amount the State contributes toward health coverage depends on whether the employee is vested. The contribution amount is determined by a formula set by law and the date the employee was first employed by the State.





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

- First hired by the State prior to January 1, 1985: The member is eligible to receive 100 percent of the State’s contribution toward the member’s health premium upon the member’s retirement.
- First hired by the State between January 1, 1985 and January 1, 1989: The member is subject to vesting requirements, as follows:
  - 10 years of service: Member is fully vested and qualifies for 100 percent of the State’s contribution toward his or her health premium.
  - Less than 10 years of service: Members are eligible for health coverage; however, the State’s contribution will be reduced by 10 percent for each year of service under 10 years. The member will be responsible for the additional cost.
- First hired by the State after January 1, 1989: The percentage of the State’s contribution is based on completed years of State credited service as follows:

Years of Credited Service	State Contribution
Less than 10	0%
10	50%
11 to 19	50% + 5% for each year of service in excess of 10
20 or more	100%

For California State University Employees and members on disability, the above vesting requirements do not apply and the employer pays 100 percent of the contribution provided the member is eligible for healthcare benefits at retirement.



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

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



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

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



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

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



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

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



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

Valuation Date	January 1, 2009
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets (\$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 as a percentage of pay
Mortality	Illustrative rates:

Before Retirement

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

After Retirement

CalPERS Public Agency Miscellaneous Post Retirement Mortality				
Age	Male		Female	
	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



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

Turnover

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

Age 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

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

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	9.50%	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	



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

Participation Rate

*Currently active participants:* 100% are assumed to continue their current plan election in retirement.

*Non-participating actives* are assigned a 50% probability of electing coverage at retirement, and are assumed to choose the Blue Shield Net Value HMO plan.

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

Spouse Coverage

*Currently active participants:* 85% are assumed to be married and, of these, 90% of those electing coverage in retirement are assumed to also elect coverage for their spouse. 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 assumed eligible for Medicare Parts A and B at 65.





**Table 5**  
**Projected Benefit Payments**

<b>Fiscal Year Ending June 30</b>	<b>Current Retirees</b>	<b>Future Retirees</b>	<b>Total</b>
2009	65,686	2,754	68,440
2010	74,836	7,829	82,665
2011	79,124	13,799	92,923
2012	87,941	22,909	110,850
2013	97,079	34,081	131,160
2014	100,408	48,019	148,427
2015	103,914	57,371	161,285
2016	110,206	70,463	180,669
2017	115,645	81,921	197,566
2018	118,586	102,314	220,900



## 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