



**CITY OF NEWPORT BEACH
RETIREE HEALTHCARE PLAN**

BARTEL
ASSOCIATES, LLC

**June 30, 2011 GASB 45 Actuarial Valuation
Final Results**

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July 24, 2013

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BENEFIT SUMMARY

	MERP	Old Plan
<ul style="list-style-type: none"> ■ Plan Type 	<ul style="list-style-type: none"> ■ Defined contribution plan ■ Individual accounts ■ Effective 12/31/05 	<ul style="list-style-type: none"> ■ Defined benefit plan
<ul style="list-style-type: none"> ■ Old Plan Eligibility 	<ul style="list-style-type: none"> ■ N/A 	<ul style="list-style-type: none"> ■ CalPERS Service and disability retirement from City
<ul style="list-style-type: none"> ■ Benefit 	<ul style="list-style-type: none"> ■ Reimbursement from Employee Account for retirees and dependents: <ul style="list-style-type: none"> • Medical • Dental • Vision • Supplemental medical • Long-term care • Miscellaneous medical expenses • PEMHCA minimum 	<ul style="list-style-type: none"> ■ Miscellaneous: \$400 per month ■ PEA & PMA Ret < 1/1/06: \$450 per month ■ PEA & PMA Ret ≥ 1/1/06: \$400 per month ■ Retiree & surviving spouse ■ Not less than PEMHCA min if participating in PEMHCA (\$108 in 2011, \$112 in 2012, \$115 in 2013) ■ Individual MERP account



BENEFIT SUMMARY

	MERP	Old Plan
<ul style="list-style-type: none"> ■ Pre-Retirement Employee Contributions 	<ul style="list-style-type: none"> ■ Part A: Mandatory contribution of 1% of pay ■ Immediate upon enrollment 	<ul style="list-style-type: none"> ■ \$100 per month while active ■ PEA & PMA + \$25
<ul style="list-style-type: none"> ■ Pre-Retirement City Contributions 	<ul style="list-style-type: none"> ■ Part B: City contributes \$2.50 (increased from \$1.50, effective 1/1/08) per month for each year of age + service ■ Employee 100% vested in City contributions at 5 years of service (100% vested for IDR) 	<ul style="list-style-type: none"> ■ N/A
<ul style="list-style-type: none"> ■ Leave Conversion 	<ul style="list-style-type: none"> ■ Part C: Mandatory transfer of a portion of accumulated leave at termination ■ Amount of sick and vacation/flex leave conversion varies by Association and retirement category (Miscellaneous, Safety) ■ Converted to Employee Account value using cash conversion rates ■ Not payable in cash 	



BENEFIT SUMMARY

	MERP	Old Plan
<ul style="list-style-type: none"> ■ Conversion from Old Plan to MERP 	<ul style="list-style-type: none"> ■ New employees only participate in MERP ■ Certain employees must convert: <ul style="list-style-type: none"> • Sworn Safety: age + service on 12/31/05 ≤ 45 • Miscellaneous: age + service on 12/31/05 ≤ 49 ■ Others allowed to convert 	
<ul style="list-style-type: none"> ■ Conversion Contribution 	<ul style="list-style-type: none"> ■ For Employees electing to move from Old Plan to MERP: <ul style="list-style-type: none"> • \$100 x months contributed to prior plan, max 180 months (\$18,000) • Credited to MERP account at retirement ■ For Employees electing to remain in Old Plan: <ul style="list-style-type: none"> • \$75 x months contributed to prior plan, max 180 months (\$13,500) • Credited to MERP account at retirement ■ No future Part B contributions 	



BENEFIT SUMMARY

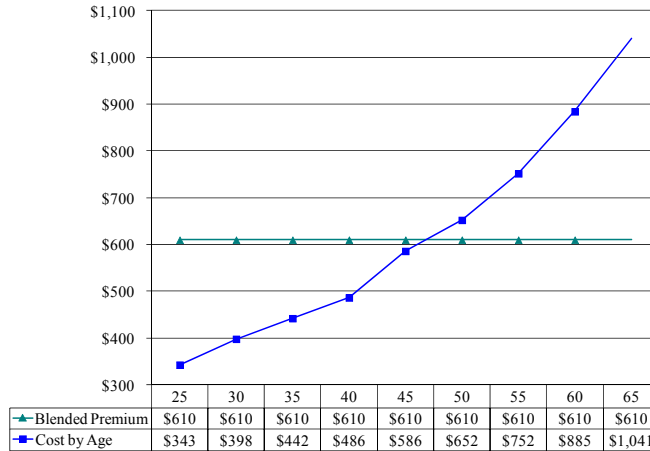
	MERP	Old Plan
<ul style="list-style-type: none"> ■ Post-Retirement Contributions 	<ul style="list-style-type: none"> ■ City: PEMHCA minimum only when account value exhausted 	<ul style="list-style-type: none"> ■ Miscellaneous <ul style="list-style-type: none"> • \$400 per month • Retiree & surviving spouse ■ PEA & PMA Ret < 1/1/06 <ul style="list-style-type: none"> • \$450 per month • Retiree & surviving spouse ■ PEA & PMA Ret ≥ 1/1/06 <ul style="list-style-type: none"> • \$400 per month • Retiree & surviving spouse ■ Contribution goes to individual MERP account
<ul style="list-style-type: none"> ■ Forfeitures 	<ul style="list-style-type: none"> ■ Unused Part B account forfeited upon death of retiree and dependents ■ Used to offset PEMHCA minimum 	
<ul style="list-style-type: none"> ■ Part-Time Employees 	<ul style="list-style-type: none"> ■ Can participate in City's medical plans or PEMHCA ■ Eligible for PEMHCA minimum if participate in PEMHCA 	



BENEFIT SUMMARY

Implied Subsidy

- Retirees pay active rates instead of actual cost
- Active employee premiums subsidize retiree cost
- City Plans: Since City Plans will be no longer available starting January 1, 2013, implied subsidy for City Plans are not valued.



- GASB 45 includes active “implied subsidy” of retiree costs



BENEFIT SUMMARY

- PEMHCA is community rated for City provided City experience is minor portion of PEMHCA experience.
- Community rated plans historically not required to value implied subsidy
- Valuation does not include an implied subsidy for PEMHCA.
- GASB 45 defers to Actuarial Standards of Practice.
- In April 2012, American Academy of Actuaries released Exposure Draft Actuarial Standard of Practice No. 6¹:
 - Revision to current ASOP No. 6
 - Would require implied subsidy valued for community rated plans such as PEMHCA.
- Implied Subsidy impact depends on a number of factors including:
 - CalPERS provided information
 - Miscellaneous/Safety mix
 - Active/retiree proportions
 - Level of pre-funding
- AAL/ARC increase relative to current plan very large for PEMHCA minimum

¹ Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions.



BENEFIT SUMMARY

Benefits Included in the Valuation

■ Current Retirees

- Fixed amount \$400 or \$450 per month for all
- Since City Plans will be no longer available starting January 1, 2013, implied subsidy for City Plans are not valued.

■ Future Retirees

- Employees electing the Old Plan:
 - City contributions after retirement (\$400/month)
 - Offset by active employee contribution (\$100 or \$125/month)
- Conversion contribution for employees elected to move from the Old Plan to MERP
- Since City Plans will be no longer available starting January 1, 2013, implied subsidy for City Plans are not valued.

■ PEMHCA Minimum

- Paid from MERP Account B
- Account B amounts not used forfeited (revert to City)
- Full-time employees not in Old Plan: Valued a % of PEMHCA minimum
- Part-time employees: Valued 100% PEMHCA minimum



BENEFIT SUMMARY

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PARTICIPANT STATISTICS

Participant Statistics June 30, 2011 Valuation²

	Miscellaneous			Safety			Grand Total
	Old Plan	New Plan	Total	Old Plan	New Plan	Total	
■ Actives							
• Count	160	413	573	75	187	262	835
• Average Age	53.7	40.2	44.0	50.3	35.2	39.5	42.6
• Average Service:							
➤ City	20.3	8.1	11.5	23.6	8.4	12.8	11.9
➤ CalPERS	21.4	9.6	12.9	24.2	9.0	13.3	13.0
• Average Pay	\$83,104	\$66,157	\$70,889	\$138,772	\$103,200	\$113,383	\$84,222
• Total Pay	13,297	27,323	40,619	10,408	19,298	29,706	70,326
■ Retirees							
• Count	229	62	291	214	29	243	534
• Average Age	67.6	76.3	69.5	63.6	62.0	63.5	66.8
• Avg. Ret. Age							
➤ Service	59.7	60.0	59.8	54.4	53.2	54.3	57.8
➤ Disability	46.1	46.1	46.1	48.0	34.5	44.8	45.1

² June 30, 2010 data used for June 30, 2011 valuation.



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PARTICIPANT STATISTICS

Participant Statistics³ June 30, 2010 Valuation

	Miscellaneous			Safety			Grand Total
	Old Plan	New Plan	Total	Old Plan	New Plan	Total	
■ Actives							
• Count	160	413	573	75	187	262	835
• Average Age	52.7	39.2	43.0	49.3	34.2	38.5	41.6
• Average Service:							
➤ City	19.3	7.1	10.5	22.6	7.4	11.8	10.9
➤ CalPERS	20.4	8.6	11.9	23.2	8.0	12.3	12.0
• Average Pay	\$80,488	\$64,074	\$68,657	\$134,404	\$99,952	\$109,814	\$81,571
• Total Pay	12,878	26,463	39,341	10,080	18,691	28,771	68,112
■ Retirees ⁴							
• Count	229	62	291	214	29	243	534
• Average Age	66.6	75.3	68.5	62.6	61.0	62.5	65.8
• Avg. Ret. Age							
➤ Service	59.7	60.0	59.8	54.4	53.2	54.3	57.8
➤ Disability	46.1	46.1	46.1	48.0	34.5	44.8	45.1

³ New plan includes part-time or Council employees who are not eligible for Old Plan.

⁴ Includes three retirees and two Police surviving spouses (duty death) with grandfathered full healthcare benefits.



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CERBT INVESTMENT OPTIONS

CERBT Funds

CERBT Fund	Fund #1	Fund #2	Fund #3
■ CERBT Asset Allocation <ul style="list-style-type: none"> • Equity • Fixed Income • Inflation Linked Bonds • Real Estate • Commodities 	66% 18% 5% 8% 3%	50% 24% 15% 8% 3%	32% 42% 15% 8% 3%
■ CalPERS Expected Returns <ul style="list-style-type: none"> • Expected Return for Years 1-10 • Expected Return for Years 11-20 • Expected Return for Years 1-20⁵ 	7.10% 8.32% 7.61%	6.50% 7.85% 7.06%	5.75% 7.22% 6.39%

⁵ Maximum valuation discount rate allowed by CalPERS for OPEB plans funding with CERBT.



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CERBT INVESTMENT OPTIONS

CERBT Funds

CERBT Fund	Fund #1	Fund #2	Fund #3
■ CalPERS Confidence Levels Years 1-20 <ul style="list-style-type: none"> • 75% Confidence Level • 50% Confidence Level • 25% Confidence Level 	5.80% 7.61% 9.43%	5.60% 7.06% 8.52%	5.25% 6.39% 7.47%
■ Recommended Discount Rate <ul style="list-style-type: none"> • Bartel Associates 55% Confidence Level⁶ • Recommended Discount Rate • Margin for Adverse Deviation 	7.29% 7.25% 0.36%	6.77% 6.75% 0.31%	6.11% 6.25% 0.14%

⁶ “55% Confidence Level” means that, over the long-term, 55% of the time net returns are expected to be greater than 7.29% (for Fund #1) and 45% of the time net returns are expected to be less than 7.29%.



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2010 ■ FY 2011/12 & 2012/13 (end of year payment) ■ 1-year lag period 	<ul style="list-style-type: none"> ■ June 30, 2011 ■ FY 2013/14 & 2014/15 (end of year payment) ■ 2-year lag period
■ Discount Rate	<ul style="list-style-type: none"> ■ 7.25% for cash subsidy, pre-funded through CERBT fund #1 ■ 4.25% for PEMHCA implied subsidy sensitivity, no pre-funding 	■ Same
■ Payroll Increases	<ul style="list-style-type: none"> ■ Aggregate Increases: 3.25% ■ Merit Increases: CalPERS 1997-2007 Experience Study 	■ Same
■ Mortality, Withdrawal, Disability	<ul style="list-style-type: none"> ■ CalPERS 1997-2007 Experience Study ■ Projection Scale AA applied to post-retirement mortality rates 	■ Same



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2010 Valuation	June 30, 2011 Valuation																																																
■ Healthcare Trend	<table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Increase from Prior Year</u></td> </tr> <tr> <td></td> <td align="center"><u>Non-Medicare</u></td> <td align="center"><u>Medicare</u></td> </tr> <tr> <td></td> <td align="center"><u>Year</u></td> <td align="center"><u>All Plans</u></td> </tr> <tr> <td></td> <td align="center"><u>All Plans</u></td> <td align="center"><u>All Plans</u></td> </tr> <tr> <td>2010</td> <td></td> <td align="center">n/a</td> </tr> <tr> <td>2011</td> <td></td> <td align="center">n/a</td> </tr> <tr> <td>2012</td> <td align="center" colspan="2">Actual Premiums</td> </tr> <tr> <td>2013</td> <td align="center" colspan="2">Actual Premiums</td> </tr> <tr> <td>2014</td> <td align="center">8.5%</td> <td align="center">8.9%</td> </tr> <tr> <td>2015</td> <td align="center">8.0%</td> <td align="center">8.3%</td> </tr> <tr> <td>2016</td> <td align="center">7.5%</td> <td align="center">7.8%</td> </tr> <tr> <td>2017</td> <td align="center">7.0%</td> <td align="center">7.2%</td> </tr> <tr> <td>2018</td> <td align="center">6.5%</td> <td align="center">6.7%</td> </tr> <tr> <td>2019</td> <td align="center">6.0%</td> <td align="center">6.1%</td> </tr> <tr> <td>2020</td> <td align="center">5.5%</td> <td align="center">5.6%</td> </tr> <tr> <td>2021+</td> <td align="center">5.0%</td> <td align="center">5.0%</td> </tr> </table>		<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>		<u>Year</u>	<u>All Plans</u>		<u>All Plans</u>	<u>All Plans</u>	2010		n/a	2011		n/a	2012	Actual Premiums		2013	Actual Premiums		2014	8.5%	8.9%	2015	8.0%	8.3%	2016	7.5%	7.8%	2017	7.0%	7.2%	2018	6.5%	6.7%	2019	6.0%	6.1%	2020	5.5%	5.6%	2021+	5.0%	5.0%	■ Same
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2019	6.0%	6.1%																																																
2020	5.5%	5.6%																																																
2021+	5.0%	5.0%																																																
■ Old Plan Cap Increase	■ 0%	■ Same																																																



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2010 Valuation	June 30, 2011 Valuation																				
■ PEMHCA Minimum Increase	■ 4.50% annually after 2013	■ Same																				
■ PEMHCA Minimum	<ul style="list-style-type: none"> ■ Part time employees: Valued 100% PEMHCA minimum ■ Full time not in Old Plan: Assumed no net GASB 45 liability 	<ul style="list-style-type: none"> ■ Part time employees: Valued 100% PEMHCA minimum ■ Full time not in Old Plan: Valued a % of PEMHCA minimum. Sample %: <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="center" colspan="3"><u>Retirement Age</u></td> </tr> <tr> <td><u>Hire Age</u></td> <td align="center"><u>50</u></td> <td align="center"><u>55</u></td> <td align="center"><u>60</u></td> </tr> <tr> <td>30</td> <td align="center">60%</td> <td align="center">31%</td> <td align="center">0%</td> </tr> <tr> <td>35</td> <td align="center">72%</td> <td align="center">49%</td> <td align="center">10%</td> </tr> <tr> <td>40</td> <td align="center">82%</td> <td align="center">64%</td> <td align="center">34%</td> </tr> </table>		<u>Retirement Age</u>			<u>Hire Age</u>	<u>50</u>	<u>55</u>	<u>60</u>	30	60%	31%	0%	35	72%	49%	10%	40	82%	64%	34%
	<u>Retirement Age</u>																					
<u>Hire Age</u>	<u>50</u>	<u>55</u>	<u>60</u>																			
30	60%	31%	0%																			
35	72%	49%	10%																			
40	82%	64%	34%																			
■ Participation at Retirement	<ul style="list-style-type: none"> ■ Full-time: 100% ■ Part-time: 18% based on current active participation 	■ Same																				



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ PEMHCA Implied Subsidy Sensitivity	■ N/A	<ul style="list-style-type: none"> ■ Participation: <ul style="list-style-type: none"> • Currently covered: 100% • Not currently covered: 80%
■ Medical Plan at Retirement	<ul style="list-style-type: none"> ■ PEMHCA: Current medical plan ■ City plans: <ul style="list-style-type: none"> • HMO: 100% move to PEMHCA Blue Shield South • POS: <ul style="list-style-type: none"> ➢ 1/3 elect PEMHCA PERS Choice South in 2013 ➢ 2/3 elect PEMHCA PERSCare South in 2013 ■ Waived: weighted premium based on retiree distribution 	■ Same



ACTUARIAL METHODS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ Cost Method	■ Entry Age Normal	■ Same
■ Funding Policy	<ul style="list-style-type: none"> ■ Cash subsidy: pre-funded with CERBT Fund #1 ■ Implied subsidy: Not valued, 4.25% for PEMHCA sensitivity 	■ Same
■ Actuarial Value of Assets	<ul style="list-style-type: none"> ■ Investment gains/losses spread over 5-year rolling period ■ Not less than 80% nor more than 120% of market value ■ Same as CalPERS, but shorter period 	■ Same
■ Amortization Method	■ Level percent of payroll	■ Same



ACTUARIAL METHODS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ Amortization Period	<ul style="list-style-type: none"> ■ Initial unfunded liability: amortized over 20-yr fixed (closed) period from 6/30/07 (16 years remaining as of 6/30/11) ■ Benefit and assumption changes: amortized over fixed 20 years ■ Gains/Losses: amortized over rolling 15 years ■ Maximum 30-yr combined period 	■ 14 year fresh-start of unfunded liability as of 6/30/13
■ Future New Entrants	■ None – closed group	■ Same



ASSETS

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2009/10	2010/11	2011/12	Projected 2012/13
■ MVA (Beginning of Year)	\$ 6,322	\$ 6,789	\$ 8,241	\$ 8,894
• Employer Contribution	2,016	2,128	2,314	2,806
• Benefit Payment ⁷	(2,589)	(2,424)	(1,795)	(2,343)
• Administrative Expenses	(8)	(10)	(11)	-
• Investment Return	<u>1,048</u>	<u>1,758</u>	<u>144</u>	<u>686</u> ⁸
■ MVA (End of Year)	6,789	8,241	8,894	10,042
■ Approximate Annual Return	15.0%	23.8%	1.6%	7.25%

⁷ All benefit payments made from the Trust. CERBT benefit payment disbursements offset by Employee Contributions.

⁸ Administrative expenses are included in expected investment return.



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ASSETS

Actuarial Value of Plan Assets

(Amounts in 000's)

Actuarial Value of Assets	2009/10	2010/11	2011/12	Projected 2012/13
■ AVA (Beginning of Year)	\$ 7,586	\$ 7,476	\$ 7,889	\$ 8,959
• Employer Contribution	2,016	2,128	2,314	2,806
• Benefit Payment ⁹	(2,589)	(2,424)	(1,795)	(2,343)
• Expected Investment Return ¹⁰	<u>634</u>	<u>622</u>	<u>566</u>	<u>690</u>
■ Expected AVA (End of Year)	7,647	7,802	8,975	10,112
■ MVA (End of Year)	6,789	8,241	8,894	10,042
■ 1/5 of (MVA – Expected AVA)	(171)	87	(16)	(14)
■ Preliminary AVA¹¹	7,476	7,889	8,959	10,098
• Minimum AVA (80% of MVA)	5,432	6,593	7,115	8,034
• Maximum AVA (120% of MVA)	8,147	9,889	10,672	12,051
■ AVA (End of Year)	7,476	7,889	8,959	10,098
■ Approximate Annual Return	5.7%	8.8%	7.0%	7.1%

⁹ All benefit payments made from the Trust. CERBT benefit payment disbursements offset by Employee Contributions.

¹⁰ Expected investment return of 7.75% for 2009/10 and 2010/11 fiscal years, and 7.25% thereafter.

¹¹ Expected AVA plus 20% of the difference between the MVA and expected AVA.



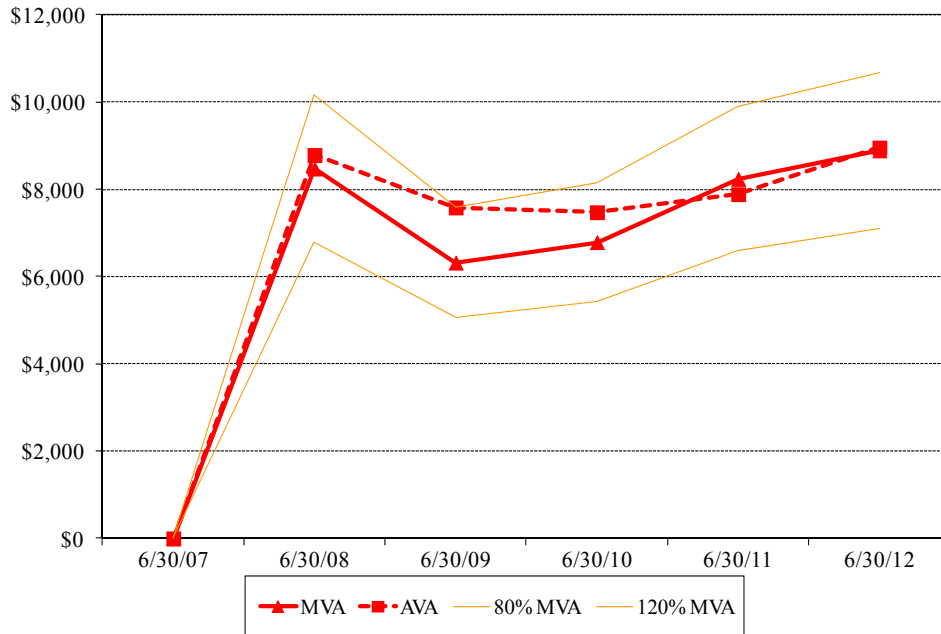
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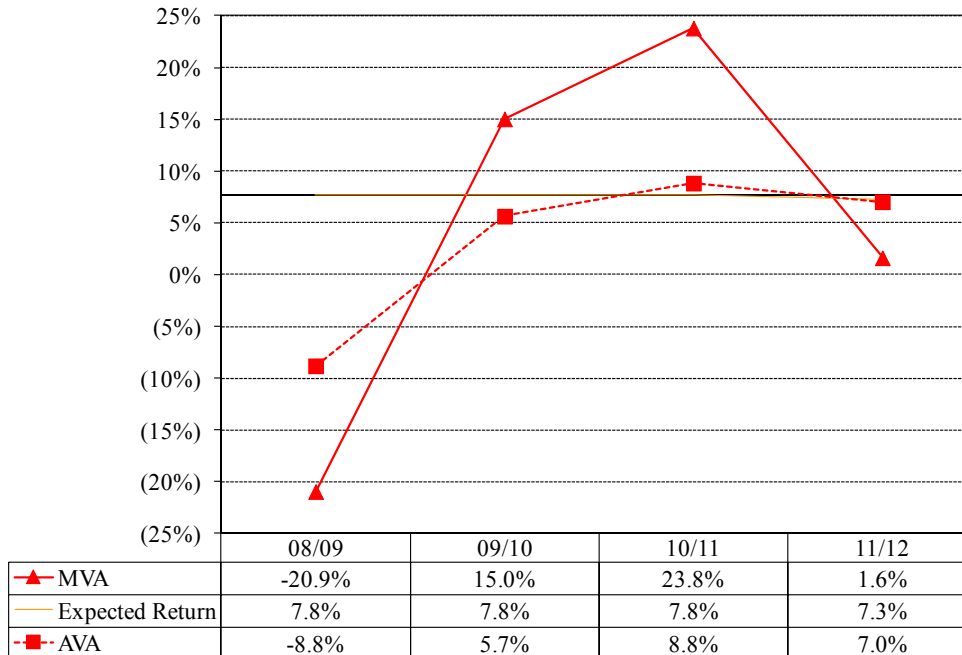
ASSETS

Historical Value of Plan Assets (Amounts in 000's)



ASSETS

Historical Annualized Asset Returns



RESULTS

Actuarial Obligations¹²

(Amounts in 000's)

	Valuation 6/30/06	Valuation 6/30/08	Valuation 6/30/10	Valuation 6/30/11	Projected 6/30/13
■ Present Value of Benefits					
• Actives	\$ 37,830	\$ 33,472	\$ 11,479	\$ 14,371	
• Retirees	<u>29,831</u>	<u>29,223</u>	<u>25,646</u>	<u>25,367</u>	
• Total	67,661	62,695	37,125	39,738	
■ Actuarial Accrued Liability					
• Actives	23,739	19,793	9,061	10,555	
• Retirees	<u>29,831</u>	<u>29,223</u>	<u>25,646</u>	<u>25,367</u>	
• Total	53,570	49,016	34,707	35,922	\$ 37,337
■ Actuarial Assets	-	<u>8,785</u>	<u>7,476</u>	<u>7,889</u>	<u>10,098</u>
■ Unfunded AAL	53,570	40,231	27,231	28,033	27,239
■ Normal Cost					
• Employee Normal Cost	280	368	256		236
• Employer Normal Cost	<u>1,339</u>	<u>1,368</u>	<u>253</u>		<u>505</u>
• Total Normal Cost	1,619	1,736	509		741
■ Expected Pay-Go Cost	2,639	2,641	2,522		2,683

¹² 6/30/06 & 6/30/08 valuations included implied subsidy for the City Plans. 6/30/10 & 6/30/11 valuations do not.



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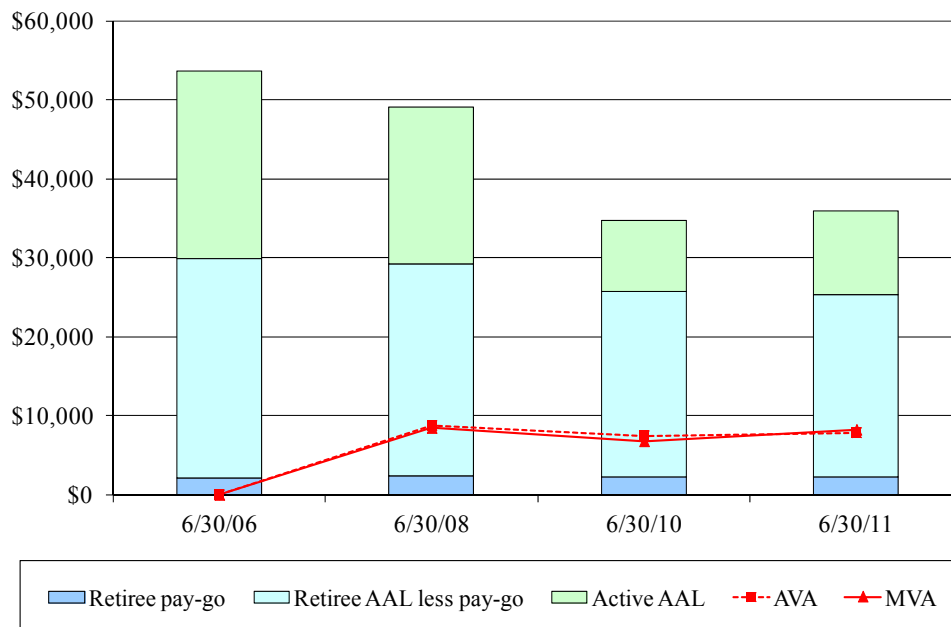
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RESULTS

Historical Funded Status

(Amounts in 000's)



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RESULTS

(Gain)/Loss Analysis

(Amounts in 000's)

	NC %	AAL	AVA	UAAL
■ 6/30/2011 Projected Value	0.7%	\$34,895	\$ 7,889	\$27,006
■ 6/30/2013 Expected Value	0.7%	35,936	9,929	26,006
■ Experience (Gains)/Losses:				
• Valued PEMHCA Minimum for MERP EEs	0.3%	1,420	-	1,420
• Demographic (Gain)/Loss	-	(19)	-	(19)
■ Asset Gain	<u>n/a</u>	<u>n/a</u>	<u>169</u>	<u>(169)</u>
■ Total (Gains)/Losses	-	1,401	169	1,232
■ 6/30/2013 Projected Value	1.0%	37,337	10,098	27,239



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RESULTS

Schedule of Funding Progress

(Amounts in 000's)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
6/30/2007 ¹³	\$ 0	\$ 56,048	\$ 56,048	0.0%	\$ 54,748	102.4%
6/30/2008	8,785	49,015	40,230	17.9% ¹⁴	56,527	71.2%
6/30/2010	7,476	34,707	27,231	21.5%	68,112	40.0%
6/30/2011	7,889	35,922	28,033	22.0%	70,326 ¹⁵	39.9%

¹³ Projected 6/30/07 results are shown in City's CAFR.

¹⁴ City reported 0.0% in 2011/12 CAFR.

¹⁵ 6/30/10 data used for 6/30/11 valuation. Projected from prior year with assumed 3.25% payroll increase.



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RESULTS

Annual Required Contribution (ARC)¹⁶

(Amount in 000's)

	6/30/10 Valuation		6/30/11 Valuation	
	2011/12	2012/13	2013/14	2014/15
■ ARC - \$				
• Total Normal Cost	\$ 509	\$ 526	\$ 741	\$ 765
• UAAL Amortization	<u>2,361</u>	<u>2,525</u>	<u>2,640</u>	<u>2,726</u>
• Total ARC	2,870	3,051	3,381	3,491
• Employee Normal Cost	<u>(256)</u>	<u>(245)</u>	<u>(236)</u>	<u>(205)</u>
• City ARC	2,614	2,806	3,145	3,286
■ Total City Payroll	72,611	74,971	77,408 ¹⁷	79,923
■ ARC - % of Total City Payroll				
• Normal Cost	0.7%	0.7%	1.0%	1.0%
• UAAL Amortization	<u>3.3%</u>	<u>3.4%</u>	<u>3.4%</u>	<u>3.4%</u>
• Total ARC	4.0%	4.1%	4.4%	4.4%
• Employee Normal Cost	<u>(0.4%)</u>	<u>(0.3%)</u>	<u>(0.3%)</u>	<u>(0.3%)</u>
• City ARC	3.6%	3.8%	4.1%	4.1%

¹⁶ Does not include implied subsidy for City plans.

¹⁷ 2012/13 payroll projected one year with 3.25% assumed payroll growth.



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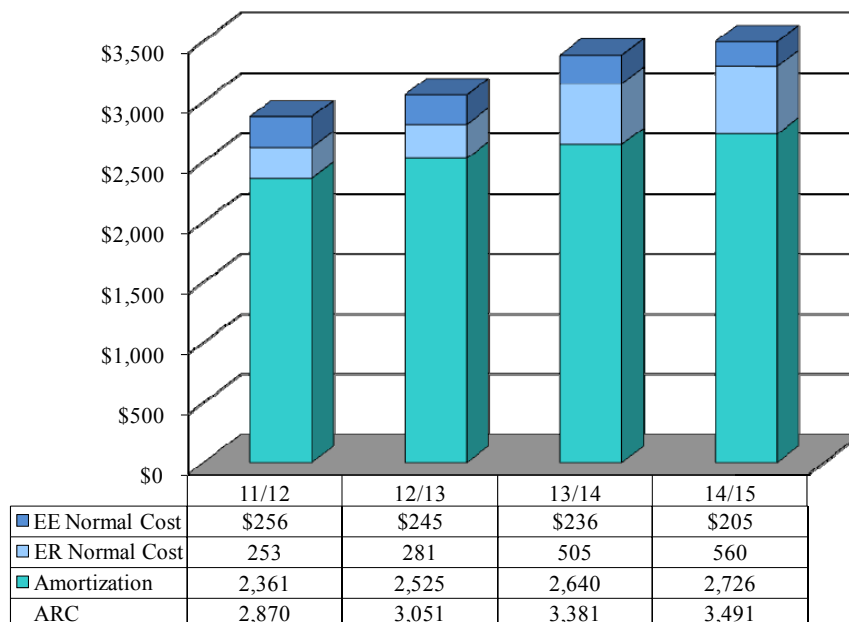
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RESULTS

Annual Required Contributions

(Amounts in 000's)



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RESULTS

Amortization Bases

(Amounts in 000's)

	6/30/10 Valuation		6/30/11 Valuation	
	6/30/11	6/30/12	6/30/13	6/30/14
■ Outstanding Balance				
• Initial UAAL	\$ 29,032	\$ 28,588	-	-
• 2008 Valuation				
> Benefit & Assumption Changes	71	70	-	-
> Assets	(8,448)	(8,283)	-	-
> (Gains)/Losses	1,046	1,025	-	-
• 2010 Valuation				
> (Gains)/Losses	5,306	5,759	-	-
• 2011 Valuation				
> 14-Year Fresh Start at 6/30/13	-	-	\$ 27,239	\$ 26,573
• Total	27,006	27,159	27,239	26,573



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RESULTS

Amortization Payments

(Amounts in 000's)

	6/30/10 Valuation		6/30/11 Valuation	
	2011/12	2012/13	2013/14	2014/15
■ Amortization Payment - \$				
• Initial UAAL ¹⁸	\$ 2,549	\$ 2,631	-	-
• 2008 Valuation				
> Benefit & Assumption Changes ¹⁸	6	6	-	-
> Assets ¹⁹	(778)	(762)	-	-
> (Gain)/Loss ¹⁹	96	94	-	-
• 2010 Valuation				
> (Gains)/Losses ²⁰	488	555	-	-
• 2011 Valuation				
> 14-Year Fresh Start at 6/30/13	-	-	\$ 2,640	\$ 2,726
• Total	2,361	2,525	2,640	2,726
■ Average Amortization Years	16	15	14	13

¹⁸ Amortized over fixed 20 year period at first recognition.

¹⁹ Amortized over rolling 15 year periods beginning 2010/11.

²⁰ Amortized over fixed 15 year period at first recognition.



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RESULTS

Estimated Net OPEB Obligation (NOO)

(Amounts in 000's)

	CAFR 2010/11	CAFR 2011/12	Est. 2012/13	Est. 2013/14	Est. 2014/15
■ NOO at BOY	\$ -	\$ -	\$ - ²¹	\$ -	\$ -
■ Annual OPEB Cost					
• Employer ARC	2,128	2,614	2,806	3,145	3,286
• Employee Normal Cost	333	256	245	236	205
• Interest on NOO	-	-	-	-	-
• Amortization of NOO	-	-	-	-	-
• Annual OPEB Cost	<u>2,461</u>	<u>2,871</u>	<u>3,051</u>	<u>3,381</u>	<u>3,491</u>
■ Contributions					
• Benefit Payments ²²	2,724	2,564	2,588	2,683	2,779
• Employee Contributions	300	256	245	236	205
• Addl. Pre-Funding	<u>(563)</u>	<u>51</u>	<u>218</u>	<u>462</u>	<u>507</u>
• Total Contribution ²³	<u>2,461</u>	<u>2,871</u>	<u>3,051</u>	<u>3,381</u>	<u>3,491</u>
■ Estimated NOO at EOY	-	-	-	-	-

²¹ Changed from prior estimates. Assumes full ARC contributed.

²² Estimated benefit payments used beginning 2012/13. Actual benefit payments should be used to calculate NOO.

²³ Full ARC contributed to CERBT, then benefit payments paid from the CERBT.



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RESULTS

10-Year Projection Illustration

(Amounts in 000's)

Fiscal Year	Begin Year NOO	ARC	Annual OPEB Cost (AOC)	Contribution				Total City Payroll	ARC % of Total Pay
				Benefit Pmts	EE Contr	Pre-Fund	Total Contrib		
2013/14	\$ -	\$ 3,381	\$ 3,381	\$ 2,683	\$ 236	\$ 462	\$ 3,381	\$ 77,408	4.4%
2014/15	-	3,491	3,491	2,779	205	507	3,491	79,924	4.4%
2015/16	-	3,605	3,605	2,860	176	569	3,605	82,521	4.4%
2016/17	-	3,722	3,722	2,931	148	643	3,722	85,203	4.4%
2017/18	-	3,843	3,843	3,002	124	717	3,843	87,972	4.4%
2018/19	-	3,968	3,968	3,056	101	810	3,968	90,831	4.4%
2019/20	-	4,097	4,097	3,095	82	920	4,097	93,784	4.4%
2020/21	-	4,230	4,230	3,125	65	1,040	4,230	96,831	4.4%
2021/22	-	4,367	4,367	3,144	50	1,173	4,367	99,978	4.4%
2022/23	-	4,509	4,509	3,153	38	1,318	4,509	103,228	4.4%



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RESULTS

Actuarial Obligations – By Miscellaneous And Safety

(Amounts in 000's)

	Miscellaneous	Safety	Total
■ Present Value of Benefits			
• Actives	\$ 9,383	\$ 4,988	\$ 14,371
• Retirees	<u>12,264</u>	<u>13,103</u>	<u>25,367</u>
• Total	21,647	18,091	39,738
■ Actuarial Accrued Liability			
• Actives	6,927	3,628	10,555
• Retirees	<u>12,264</u>	<u>13,103</u>	<u>25,367</u>
• Total	19,191	16,731	35,922
■ Actuarial Value of Assets	<u>4,215</u>	<u>3,675</u>	<u>7,889</u>
■ Unfunded Liability	14,976	13,056	28,033
■ 2013/14 Normal Cost			
• Employee Normal Cost	161	76	236
• Employer Normal Cost	<u>345</u>	<u>160</u>	<u>505</u>
• Total Normal Cost	505	236	741
■ 2013/14 Pay-As-You-Go Cost	1,436	1,247	2,683



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RESULTS

Annual Required Contribution (ARC) - By Miscellaneous And Safety

2013/14 Fiscal Year

(Amount in 000's)

	Miscellaneous	Safety	Total
■ ARC - \$			
• Total Normal Cost	\$ 505	\$ 236	\$ 741
• UAAL Amortization	<u>1,428</u>	<u>1,212</u>	<u>2,640</u>
• Total ARC	1,934	1,447	3,381
• Employee Normal Cost	<u>(161)</u>	<u>(76)</u>	<u>(236)</u>
• City ARC	1,773	1,372	3,145
■ Total City Payroll	44,709	32,697	77,408
■ ARC - % Payroll			
• Normal Cost	1.1%	0.7%	1.0%
• UAAL Amortization	<u>3.2%</u>	<u>3.7%</u>	<u>3.4%</u>
• Total ARC	4.3%	4.4%	4.4%
• Employee Normal Cost	<u>(0.4%)</u>	<u>(0.2%)</u>	<u>(0.3%)</u>
• City ARC	4.0%	4.2%	4.1%



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RESULTS

Sensitivity – PEMHCA Implied Subsidy

(Amounts in 000's)

	Cash Subsidy Only	With PEMHCA Implied Subsidy
■ PVPB @ 6/30/11	\$ 39,738	\$ 98,207
■ AAL @ 6/30/11	35,922	80,260
■ AVA @ 6/30/11	<u>7,889</u>	<u>7,889</u>
■ Unfunded AAL @ 6/30/11	28,033	72,371
■ 2013/14 ARC - \$		
• Total Normal Cost	741	2,195
• UAAL Amortization ²⁴	<u>2,640</u>	<u>6,537</u>
• Total ARC	3,381	8,732
• Employee Normal Cost	<u>(236)</u>	<u>(236)</u>
• City ARC	3,145	8,495
■ 2013/14 Total ARC - %	4.4%	11.3%
■ 2013/14 Employee NC - %	<u>(0.3%)</u>	<u>(0.3%)</u>
■ 2013/14 Employer ARC - %	4.1%	11.0%

²⁴ Similar to amortization of cash subsidy, implied subsidy UAAL amortized over 14 years.



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RESULTS

Sensitivity – MERP PEMHCA Minimum

(Amounts in 000's)

	Current	100% MERP PEMHCA Min	0% MERP PEMHCA Min
■ PVPB @ 6/30/11	\$ 39,738	\$ 44,475	\$ 37,354
■ AAL @ 6/30/11	35,922	38,296	35,019
■ AVA @ 6/30/11	<u>7,889</u>	<u>7,889</u>	<u>7,889</u>
■ Unfunded AAL @ 6/30/11	28,033	30,407	27,130
■ 2013/14 ARC - \$			
• Total Normal Cost	741	989	542
• UAAL Amortization ²⁵	<u>2,640</u>	<u>2,952</u>	<u>2,503</u>
• Total ARC	3,381	3,941	3,045
• Employee Normal Cost	<u>(236)</u>	<u>(236)</u>	<u>(236)</u>
• City ARC	3,145	3,705	2,808
■ 2013/14 Total ARC - %	4.4%	5.1%	3.9%
■ 2013/14 Employee NC - %	<u>(0.3%)</u>	<u>(0.3%)</u>	<u>(0.3%)</u>
■ 2013/14 Employer ARC - %	4.1%	4.8%	3.6%

²⁵ Similar to amortization of cash subsidy, implied subsidy UAAL amortized over 14 years.



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ACTUARIAL CERTIFICATION

This report presents the City of Newport Beach Retiree Healthcare Plan ("Plan") June 30, 2011 actuarial valuation. The purpose of this valuation is to:

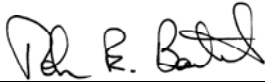
- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2011 Benefit Obligations,
- Determine the Plan's June 30, 2011 Funded Status, and
- Calculate the 2013/14 and 2014/15 Annual Required Contributions.

The report provides information intended for reporting under GASB 43 and 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the Plan's financial management. Future valuations may differ significantly if the Plan's experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASB 43 and 45. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,



John E. Bartel, ASA, MAAA, FCA
President
Bartel Associates, LLC
July 24, 2013



Bianca Lin, FSA, MAAA, EA
Assistant Vice President
Bartel Associates, LLC
July 24, 2013



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EXHIBITS

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PREMIUMS

2011 Monthly Premiums – Other Southern California

Active & Retiree Under Age 65

Medical Plan		EE	EE+1	Family
Blue Shield	PEMHCA	\$ 567.87	\$ 1,135.74	\$ 1,476.46
Blue Shield NetValue	PEMHCA	488.62	977.24	1,270.41
Kaiser	PEMHCA	477.95	955.90	1,242.67
PERS Choice	PEMHCA	516.28	1,032.56	1,342.33
PERS Select	PEMHCA	451.48	902.96	1,173.85
PERSCare	PEMHCA	819.18	1,638.36	2,129.87
PORAC	PEMHCA	527.00	987.00	1,254.00
Blue Cross HMO	City	569.65	1,116.20	1,424.23
Blue Cross POS	City	729.43	1,490.00	1,782.46



PREMIUMS

2011 Monthly Premiums – Other Southern California

Over Age 65

Medical Plan		Medicare	EE	EE+1	Family
Blue Shield	PEMHCA	Yes	\$ 337.88	\$ 675.76	\$ 1,013.64
Blue Shield NetValue	PEMHCA	Yes	337.88	675.76	1,013.64
Kaiser	PEMHCA	Yes	282.30	564.60	846.90
PERS Choice	PEMHCA	Yes	375.88	751.76	1,127.64
PERS Select	PEMHCA	Yes	375.88	751.76	1,127.64
PERSCare	PEMHCA	Yes	433.66	867.32	1,300.98
PORAC	PEMHCA	Yes	418.00	833.00	1,331.00
Blue Cross HMO	City	Yes	555.45	1,101.96	1,409.99
		No	1,582.13	3,226.94	3,226.94
Blue Cross POS	City	Yes	715.47	1,476.01	1,476.01
		No	2,233.43	4,466.54	4,466.54



PREMIUMS

2012 Monthly Premiums – Other Southern California

Active & Retiree Under Age 65

Medical Plan		EE	EE+1	Family
Blue Shield	PEMHCA	\$ 583.60	\$ 1,167.20	\$ 1,517.36
Blue Shield NetValue	PEMHCA	501.93	1,003.86	1,305.02
Kaiser	PEMHCA	512.76	1,025.52	1,333.18
PERS Choice	PEMHCA	526.19	1,052.38	1,368.09
PERS Select	PEMHCA	446.68	893.36	1,161.37
PERSCare	PEMHCA	943.26	1,886.52	2,452.48
PORAC	PEMHCA	556.00	1,041.00	1,323.00
Blue Cross HMO	City	623.41	1,221.55	1,558.65
Blue Cross POS	City	798.30	1,630.69	1,950.76



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PREMIUMS

2012 Monthly Premiums – Other Southern California

Over Age 65

Medical Plan		Medicare	EE	EE+1	Family
Blue Shield	PEMHCA	Yes	\$ 337.99	\$ 675.98	\$ 1,013.97
Blue Shield NetValue	PEMHCA	Yes	337.99	675.98	1,013.97
Kaiser	PEMHCA	Yes	277.81	555.62	833.43
PERS Choice	PEMHCA	Yes	383.44	766.88	1,150.32
PERS Select	PEMHCA	Yes	383.44	766.88	1,150.32
PERSCare	PEMHCA	Yes	432.43	864.86	1,297.29
PORAC	PEMHCA	Yes	418.00	833.00	1,331.00
Blue Cross HMO	City	Yes	616.73	1,214.83	1,551.93
		No	1,731.41	3,531.43	3,531.43
Blue Cross POS	City	Yes	786.46	1,618.81	1,618.81
		No	2,444.31	4,888.28	4,888.28



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PREMIUMS

2013 Monthly Premiums – Other Southern California

Active & Retiree Under Age 65

Medical Plan		EE	EE+1	Family
Blue Shield	PEMHCA	\$ 643.93	\$1,287.86	\$1,674.22
Blue Shield NetValue	PEMHCA	550.03	1,100.06	1,430.08
Kaiser	PEMHCA	558.95	1,117.90	1,453.27
PERS Choice	PEMHCA	611.30	1,222.60	1,589.38
PERS Select	PEMHCA	446.49	892.98	1,160.87
PERSCare	PEMHCA	992.61	1,985.22	2,580.79
PORAC	PEMHCA	581.00	1,088.00	1,382.00



PREMIUMS

2013 Monthly Premiums – Other Southern California

Over Age 65

Medical Plan		Medicare	EE	EE+1	Family
Blue Shield	PEMHCA	Yes	\$ 261.32	\$ 522.64	\$ 783.96
Blue Shield NetValue	PEMHCA	Yes	261.32	522.64	783.96
Kaiser	PEMHCA	Yes	288.37	576.74	865.11
PERS Choice	PEMHCA	Yes	325.74	651.48	977.22
PERS Select	PEMHCA	Yes	325.74	651.48	977.22
PERSCare	PEMHCA	Yes	370.43	740.86	1,111.29
PORAC	PEMHCA	Yes	418.00	833.00	1,331.00



DATA SUMMARY

Participants by Benefit Types

June 30, 2010

Actives

Medical Plan	Miscellaneous				Safety			
	MERP	Old	Part-time or Council	Total	MERP	Old	Part-time or Council	Total
PEMHCA	146	61	12	219	91	41	-	132
City Plan	70	65	3	138	51	15	-	66
Waived	116	34	66	216	41	19	4	64
Total	332	160	81	573	183	75	4	262

Retirees

Contribution	Miscellaneous	Safety	Total ²⁶
\$400/\$450	229	214	443
\$ Premium	3	2	5
\$105 (PEMHCA minimum)	7	2	9
\$0	52	25	77
Total	291	243	534

²⁶ 457 retirees receive a City-paid benefit.



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DATA SUMMARY

Active Medical Coverage

June 30, 2010

Medical Plan		EE	EE+1	Family	Waived	Total
Blue Shield	PEMHCA	25	19	39	-	83
Blue Shield NetValue	PEMHCA	17	1	4	-	22
Kaiser	PEMHCA	42	12	14	-	68
PERS Choice	PEMHCA	43	16	18	-	77
PERS Select	PEMHCA	4	2	2	-	8
PERSCare	PEMHCA	7	-	-	-	7
PORAC	PEMHCA	<u>29</u>	<u>11</u>	<u>46</u>	<u>-</u>	<u>86</u>
PEMHCA Subtotal		167	61	123	-	351
Blue Cross HMO	City	46	27	106	-	179
Blue Cross POS	City	<u>14</u>	<u>7</u>	<u>4</u>	<u>-</u>	<u>25</u>
City Subtotal		60	34	110	-	204
Waived		-	-	-	280	280
Total		227	95	233	280	835



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DATA SUMMARY

Retiree Medical Plan Election – Under Age 65
June 30, 2010

Medical Plan		EE	EE+1	Family	Waived	Total
Blue Shield	PEMHCA	10	15	6	-	31
Blue Shield NetValue	PEMHCA	1	-	1	-	2
Kaiser	PEMHCA	6	5	1	-	12
PERS Choice	PEMHCA	28	15	3	-	46
PERS Select	PEMHCA	-	3	-	-	3
PERSCare	PEMHCA	5	-	1	-	6
PORAC	PEMHCA	<u>18</u>	<u>33</u>	<u>8</u>	<u>-</u>	<u>59</u>
<i>PEMHCA Subtotal</i>		68	71	20	-	159
Blue Cross HMO	City	13	10	5	-	28
Blue Cross POS	City	<u>10</u>	<u>5</u>	<u>1</u>	<u>-</u>	<u>16</u>
<i>City Subtotal</i>		23	15	6	-	44
Waived		-	-	-	81	81
Total		91	86	26	81	284



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DATA SUMMARY

Retiree Medical Plan Election – Over Age 65
June 30, 2010

Medical Plan		EE	EE+1	Family	Waived	Total
Blue Shield	PEMHCA	8	11	-	-	19
Blue Shield NetValue	PEMHCA	1	-	-	-	1
Kaiser	PEMHCA	5	4	-	-	9
PERS Choice	PEMHCA	26	36	1	-	63
PERS Select	PEMHCA	-	-	-	-	-
PERSCare	PEMHCA	22	10	-	-	32
PORAC	PEMHCA	<u>1</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>11</u>
<i>PEMHCA Subtotal</i>		63	71	1	-	135
Blue Cross HMO	City	12	7	-	-	19
Blue Cross POS	City	<u>3</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>4</u>
<i>City Subtotal</i>		15	8	-	-	23
Waived		-	-	-	92	92
Total		78	79	1	92	250



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DATA SUMMARY

Medical Plan Participation
June 30, 2010

Medical Plan	Active	Retirees		
		< 65	≥ 65	Total
Blue Shield	15%	15%	12%	14%
Blue Shield NetValue	4%	1%	1%	1%
Kaiser	12%	6%	6%	6%
PERS Choice	14%	23%	40%	30%
PERS Select	1%	1%	-	1%
PERSCare	1%	3%	20%	10%
PORAC	16%	29%	7%	19%
Blue Cross HMO	32%	14%	12%	13%
Blue Cross POS	<u>5%</u>	<u>8%</u>	<u>2%</u>	<u>6%</u>
Total	100%	100%	100%	100%



DATA SUMMARY

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DATA SUMMARY

Actives by Age and Service - Miscellaneous
June 30, 2010

Age	City Service							Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	3	16	1	-	-	-	-	20
25-29	5	48	17	-	-	-	-	70
30-34	4	32	29	11	-	-	-	76
35-39	1	7	27	18	5	1	-	59
40-44	5	13	21	16	10	11	-	76
45-49	3	14	25	17	13	28	8	108
50-54	2	11	10	14	12	19	18	86
55-59	2	12	6	10	4	5	7	46
60-64	1	3	4	7	5	3	2	25
65 & Over	-	2	1	2	-	1	1	7
Total	26	158	141	95	49	68	36	573



DATA SUMMARY

Actives by Age and Service - Safety
June 30, 2010

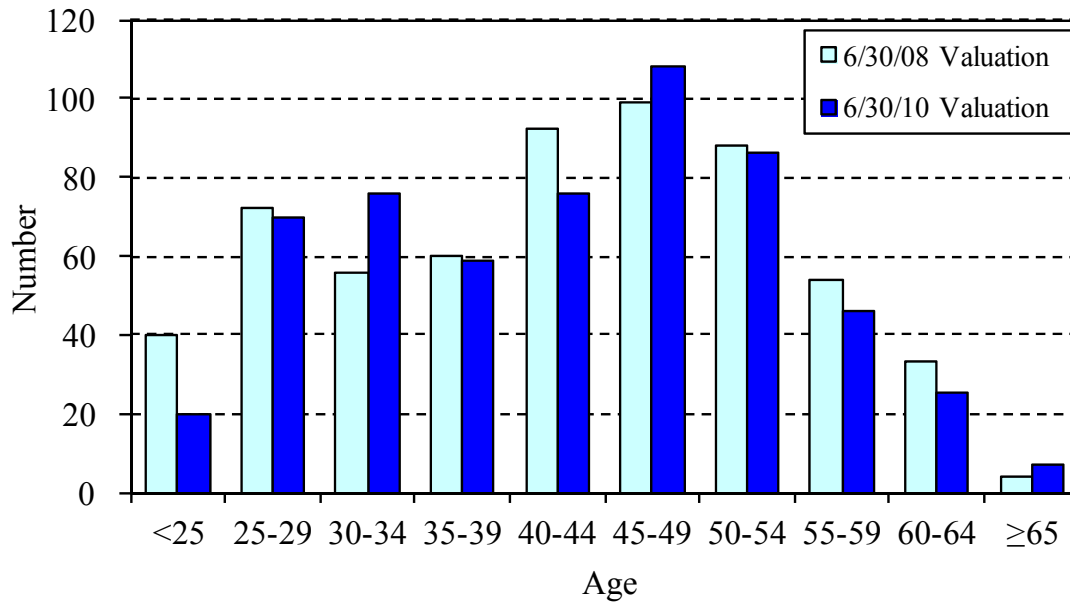
Age	City Service							Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	2	6	-	-	-	-	-	8
25-29	1	26	12	1	-	-	-	40
30-34	-	16	37	3	-	-	-	56
35-39	1	13	21	10	1	1	-	47
40-44	-	5	10	9	13	9	-	46
45-49	-	-	2	6	6	17	4	35
50-54	-	-	-	2	1	7	11	21
55-59	-	-	-	-	-	1	6	7
60-64	-	-	-	-	-	1	1	2
65 & Over	-	-	-	-	-	-	-	-
Total	4	66	82	31	21	36	22	262



DATA SUMMARY

June 30, 2010

**Active Age Distribution
Miscellaneous**



July 24, 2013

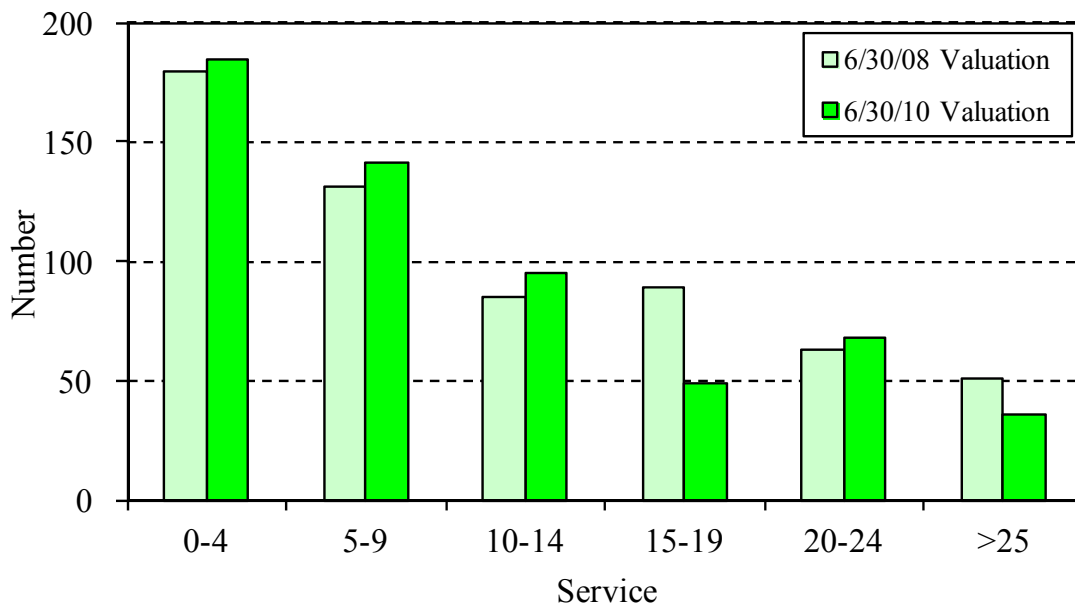
E-15



DATA SUMMARY

June 30, 2010

**Active Service Distribution
Miscellaneous**



July 24, 2013

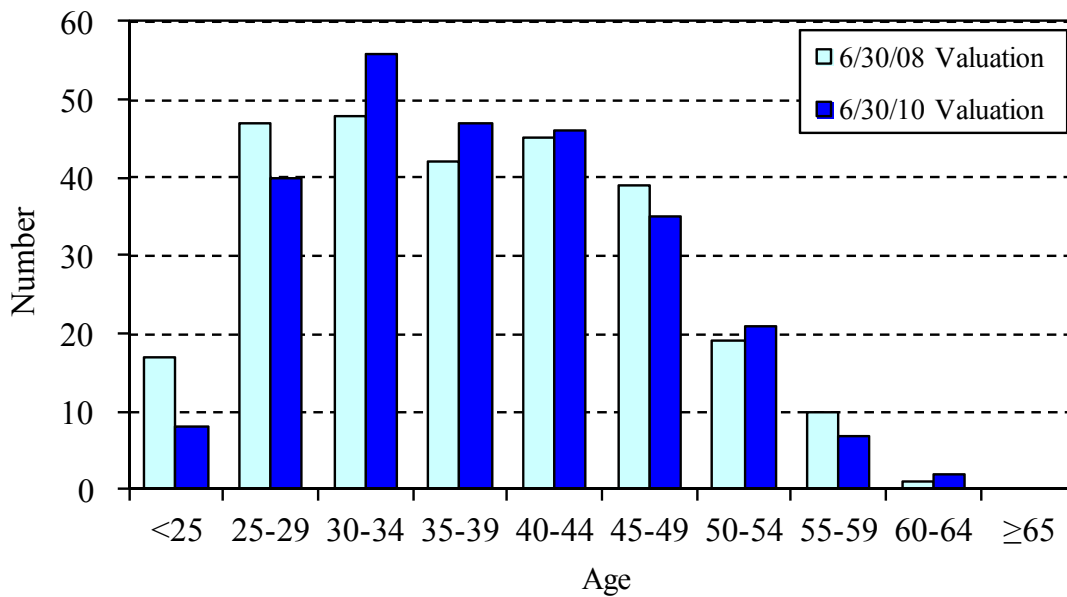
E-16



DATA SUMMARY

June 30, 2010

Active Age Distribution
Safety



July 24, 2013

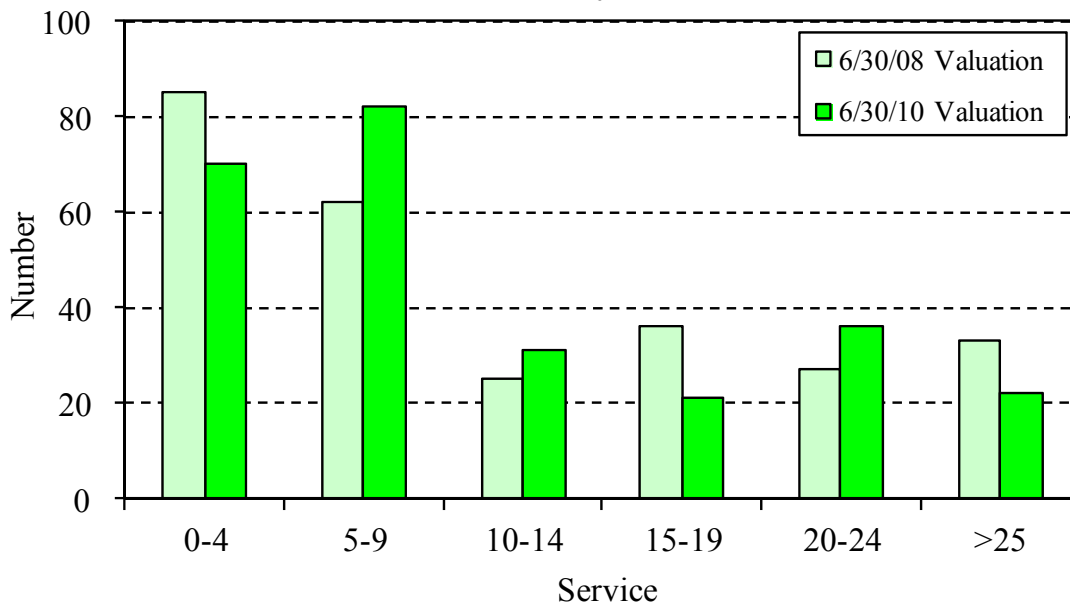
E-17



DATA SUMMARY

June 30, 2010

Active Service Distribution
Safety



July 24, 2013

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DATA SUMMARY

Retirees Medical Plan Coverage by Age

June 30, 2010

Miscellaneous

Age	Medical Coverage				
	EE	EE+1	Family	Waived	Total
Under 50	2	-	-	1	3
50-54	4	2	1	6	13
55-59	21	13	3	11	48
60-64	24	12	2	20	58
65-69	15	15	1	19	50
70-74	24	11	-	12	47
75-79	9	10	-	8	27
80-84	5	3	-	11	19
85 & Over	4	3	-	19	26
Total	108	69	7	107	291
Average Age	66.8	68.2	60.0	71.0	68.5



July 24, 2013

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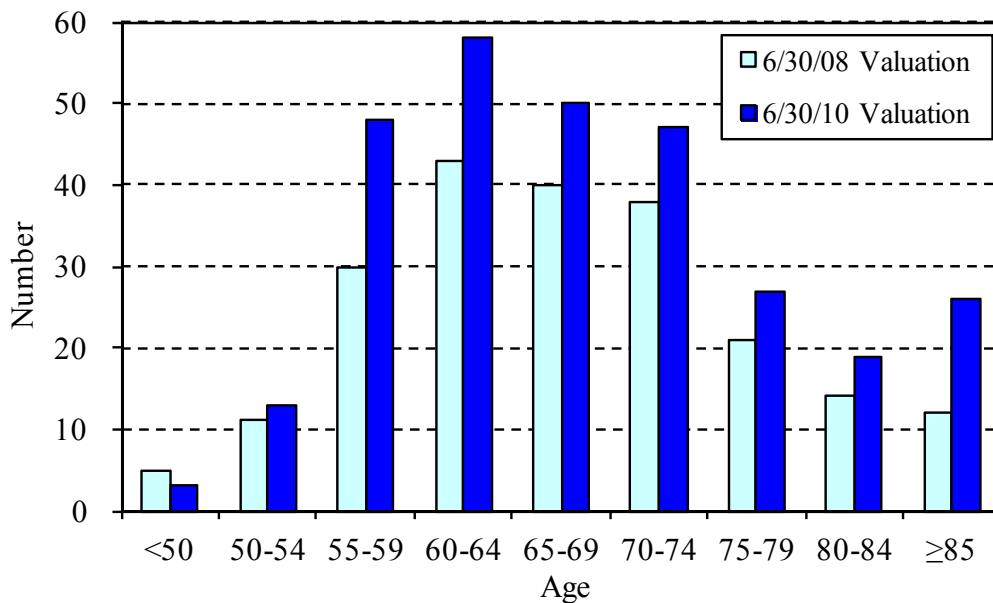


DATA SUMMARY

June 30, 2010

Retiree Age Distribution

Miscellaneous



July 24, 2013

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DATA SUMMARY

Retirees Medical Plan Coverage by Age
June 30, 2010
Safety

Age	Medical Coverage				
	EE	EE+1	Family	Waived	Total
Under 50	3	1	3	9	16
50-54	6	3	7	4	20
55-59	15	22	9	22	68
60-64	16	33	1	8	58
65-69	3	20	-	10	33
70-74	8	8	-	8	24
75-79	5	7	-	3	15
80-84	2	-	-	2	4
85 & Over	3	2	-	-	5
Total	61	96	20	66	243
Average Age	64.2	64.2	54.2	60.8	62.5



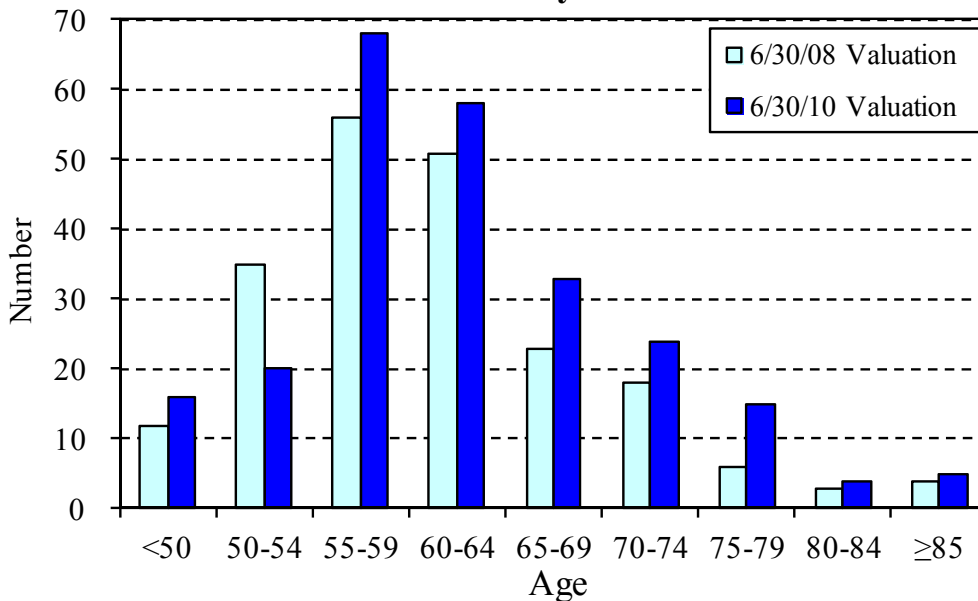
July 24, 2013

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DATA SUMMARY

June 30, 2010
Retiree Age Distribution
Safety



July 24, 2013

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ACTUARIAL ASSUMPTIONS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ Valuation Date	<ul style="list-style-type: none"> ■ June 30, 2010 ■ FY 2011/12 & 2012/13 (end of year payment) ■ 1-year lag period 	<ul style="list-style-type: none"> ■ June 30, 2011 ■ FY 2013/14 & 2014/15 (end of year payment) ■ 2-year lag period
■ Discount Rate	<ul style="list-style-type: none"> ■ 7.25%: pre-funded through CERBT fund #1 ■ 4.25% for implied subsidy, no pre-funding (sensitivity) 	■ Same
■ General Inflation	■ 3.00%	■ Same
■ Payroll Increases	<ul style="list-style-type: none"> ■ Aggregate Increases - 3.25% ■ Merit Increases - CalPERS 1997-2007 Experience Study 	■ Same
■ Mortality, Withdrawal, Disability	<ul style="list-style-type: none"> ■ CalPERS 1997-2007 Experience Study ■ Projection Scale AA applied to post-retirement mortality rates 	■ Same



ACTUARIAL ASSUMPTIONS

	June 30, 2010 Valuation	June 30, 2011 Valuation												
■ Retirement	<ul style="list-style-type: none"> ■ CalPERS 1997-2007 Experience Study²⁷ <li align="center"> <table border="0"> <tr> <td></td> <td align="center"><u>Misc.</u></td> <td align="center"><u>Police</u></td> <td align="center"><u>Fire</u></td> </tr> <tr> <td>Benefit</td> <td align="center">2.5%<u>@55</u></td> <td align="center">3%<u>@50</u></td> <td align="center">3%<u>@50</u></td> </tr> <tr> <td>ERA</td> <td align="center">57.0</td> <td align="center">54.0</td> <td align="center">54.9</td> </tr> </table> ■ Miscellaneous: 2% added to every age 		<u>Misc.</u>	<u>Police</u>	<u>Fire</u>	Benefit	2.5% <u>@55</u>	3% <u>@50</u>	3% <u>@50</u>	ERA	57.0	54.0	54.9	■ Same
	<u>Misc.</u>	<u>Police</u>	<u>Fire</u>											
Benefit	2.5% <u>@55</u>	3% <u>@50</u>	3% <u>@50</u>											
ERA	57.0	54.0	54.9											

²⁷ Effective 11/23/12, new hires will have the following retirement formulas: Police Safety – 3%@55, Fire Safety – 2%@50, Lifeguards – 2%@50, and Miscellaneous – 2%@60.



ACTUARIAL ASSUMPTIONS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ Healthcare Trend	<u>Increase from Prior Year</u> <u>Non-Medicare</u> <u>Medicare</u> <u>Year</u> <u>All Plans</u> <u>All Plans</u> 2010 n/a 2011 n/a 2012 Actual Premiums 2013 Actual Premiums 2014 8.5% 8.9% 2015 8.0% 8.3% 2016 7.5% 7.8% 2017 7.0% 7.2% 2018 6.5% 6.7% 2019 6.0% 6.1% 2020 5.5% 5.6% 2021+ 5.0% 5.0%	■ Same
■ Old Plan Cap Increase	■ 0%	■ Same



July 24, 2013

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ACTUARIAL ASSUMPTIONS

	June 30, 2010 Valuation	June 30, 2011 Valuation
■ PEMHCA Minimum Increase	■ 4.50% annually after 2013	■ Same
■ Medicare Eligible Rate	■ Hired < 4/1/86: 90% ■ Hired ≥ 4/1/86: 100% ■ Everyone eligible for Medicare will elect Part B coverage	■ Same
■ Participation at Retirement	■ Full-time: 100% ■ Part-time: 18% based on current active participation	■ Same
■ PEMHCA Implied Subsidy Sensitivity	■ N/A	■ Participation: • Currently covered: 100% • Not currently covered: 80%
■ Waived Retiree Re-Election	■ Currently < 65: 20% re-elect PEMHCA plans at age 65 ■ Currently ≥ 65: 0%	■ Same



July 24, 2013

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ACTUARIAL ASSUMPTIONS

	June 30, 2010 Valuation	June 30, 2011 Valuation
<ul style="list-style-type: none"> ■ Medical Plan at Retirement 	<ul style="list-style-type: none"> ■ PEMHCA: Current medical plan ■ City plans: <ul style="list-style-type: none"> • HMO: 100% move to PEMHCA Blue Shield South • POS: <ul style="list-style-type: none"> ➢ 1/3 elect PEMHCA PERS Choice South in 2013 ➢ 2/3 elect PEMHCA PERSCare South in 2013 ■ Waived: weighted premium based on retiree distribution 	<ul style="list-style-type: none"> ■ Same
<ul style="list-style-type: none"> ■ Marital Status 	<ul style="list-style-type: none"> ■ Currently covered: current marital status ■ Not currently covered: 60% married 	<ul style="list-style-type: none"> ■ Same



ACTUARIAL ASSUMPTIONS

	June 30, 2010 Valuation	June 30, 2011 Valuation
<ul style="list-style-type: none"> ■ Spouse Age 	<ul style="list-style-type: none"> ■ Actives: Males 3 years older than females ■ Retirees: Males 3 years older than females if spouse birth date not provided 	<ul style="list-style-type: none"> ■ Same



DEFINITIONS

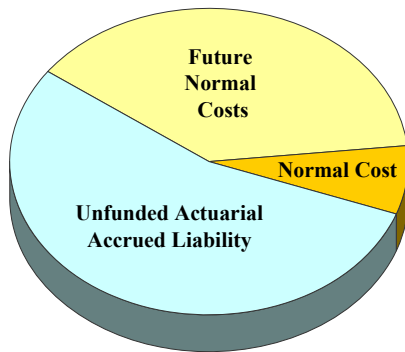
<ul style="list-style-type: none"> ■ GASB 45 Accrual Accounting 	<ul style="list-style-type: none"> ■ Project future employer-provided benefit cash flows for current active employees and current retirees ■ Discount projected cash flow to valuation date using discount rate (assumed return on assets used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



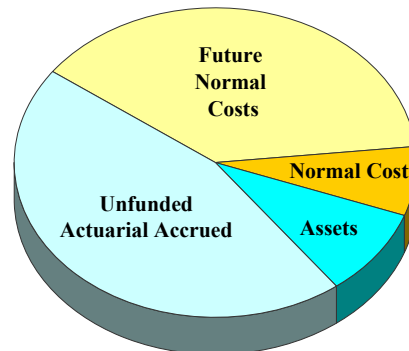
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

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

