



City of Carson Report to Successor Agency

May 1, 2012
New Business Consent

SUBJECT: CONSIDER CONCURRENCE WITH CITY COUNCIL ACTION ON APRIL 17, 2012 AND THE APPROPRIATION OF FUNDS TO BE USED FOR PRE-FUNDING THE OTHER POST EMPLOYMENT BENEFITS THROUGH THE CALPERS CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM (CERBT)

Jacquelyn Acosta
Submitted by Jacquelyn Acosta
Administrative Services General Manager

David C. Biggs
Approved by David C. Biggs
City Manager

I. SUMMARY

The City of Carson (City) provides its employees post-retirement medical benefits also known as Other Post Employment Benefit (OPEB). According to an actuarial valuation performed by The Epler Company in accordance with GASB 45 requirements, the total projected actuarial accrued liability of the City as of February 1, 2012 is \$54,517,325.00. On April 17, 2012, the City Council approved the pre-funding of a portion of this liability through the CalPERS California Employers' Retiree Benefit Trust (CERBT) using the fund balance reserved account of the Carson Successor Agency (Agency). Staff requests the Agency to authorize concurrence with the Council action, and to approve the appropriation and transfer of funds.

II. RECOMMENDATION

TAKE the following actions:

1. ACCEPT the reports by The Epler Company presenting the results of the July 1, 2010 GASB 45 Actuarial Valuation (Exhibit No. 2), and the February 1, 2012 Roll-forward Actuarial Valuation (Exhibit No. 3) of the OPEB of the City and Agency ;
2. AUTHORIZE concurrence with the City Council action on April 17, 2012 approving the pre-funding of its OPEB through the CalPERS CERBT;
3. AUTHORIZE the appropriation of \$3,384,670.00 from the fund balance reserved account of the Agency in account no. 82-70-793-003 9501;
4. AUTHORIZE the transfer of \$3,384,670.00 to the City of Carson General Fund account no. 01-00-999-000 9182 to be used for the initial deposit to the CERBT account.

III. ALTERNATIVES

TAKE other action the Carson Successor Agency deems appropriate.

IV. BACKGROUND

On April 17, 2012, staff presented a report (Exhibit No. 1), to the City Council which addressed the City's OPEB commitment and the corresponding liability. According to the actuarial valuation report as of February 1, 2012 from The Epler Company, which was submitted as part of the April 17, 2012 staff report, the projected actuarial accrued liability stands at \$54,517,325.00 of which \$3,384,670.00 is attributable to the then Carson Redevelopment Agency. The City Council unanimously approved all of staff's recommendations on the staff report including the use of \$3,384,670.00 in the fund balance of the Carson Successor Agency as the initial deposit to the trust account to be established with CalPERS CERBT. This payment was included in the Recognized Obligation Payment Schedule (ROPS) that was approved by the Carson Successor Agency, also at its April 17, 2012 meeting.

The Agency is now being requested to (1) accept the actuarial valuation reports from The Epler Company, (2) concur with City Council action on April 17, 2012, (3) authorize the appropriation from its fund balance reserved account the amount of \$3,384,670.00, and (4) approve the transfer of the same funds to the City's General Fund.

V. FISCAL IMPACT

Funds in the amount of \$3,384,670.00 that are required to be transferred to the City's General Fund are available in the Carson Successor Agency fund balance reserved account. The payment has been listed in the ROPS of the Agency.

VI. EXHIBITS

1. Report to City Council dated April 17, 2012. (pgs. 4-8)
2. 2010 Actuarial Valuation Report of Epler. (pgs. 9-40)
3. 2012 Roll-forward Actuarial Valuation Report of Epler. (pgs. 41-55)

Document!

Prepared by: Trini H. Catbagan, Finance Officer

May 1, 2012

TO:Rev03-08-12

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development	Public Services

Action taken by Successor Agency

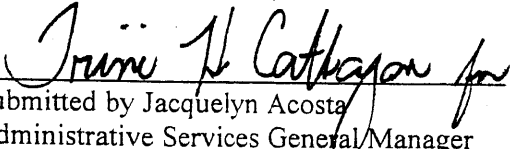
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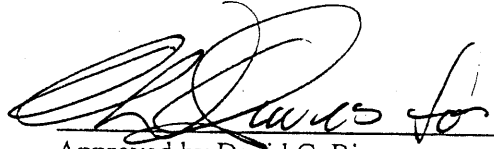


City of Carson Report to Mayor and City Council

April 17, 2012
New Business Consent

SUBJECT: CONSIDER RESOLUTION NO. 12-038, A RESOLUTION OF THE CITY OF CARSON APPROVING THE AGREEMENT AND ELECTION OF THE CITY OF CARSON TO PRE-FUND OTHER POST EMPLOYMENT BENEFITS THROUGH THE CALPERS CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST PROGRAM (CERBT)


Submitted by Jacquelyn Acosta
Administrative Services General Manager


Approved by David C. Biggs
City Manager

I. SUMMARY

The City of Carson (City) provides its employees post-retirement medical benefits also known as Other Post Employment Benefit (OPEB). As required under GASB 45, the cost of this obligation must be measured and reported in the City's annual financial reports. As of February 1, 2012, the total projected OPEB actuarial accrued liability of the City is \$54,517,325.00. To mitigate the growing balance of this liability, staff recommends pre-funding through the California Employers' Retiree Benefit Trust (CERBT) program of CalPERS.

II. RECOMMENDATION

TAKE the following actions:

1. ACCEPT the reports by The Epler Company presenting the results of the June 30, 2010 GASB 45 Actuarial Valuation (Exhibit No.1), and the February 1, 2012 Roll-forward Actuarial Valuation (Exhibit No. 2) of the OPEB of the City;
2. WAIVE further reading and adopt Resolution No. 12-038, a "Resolution of the City of Carson approving the Agreement and Election of the City of Carson to Pre-fund Other Post Employment Benefits through the CalPERS California Employers' Retiree Benefit Trust Program (CERBT)" (Agreement);
3. AUTHORIZE the Mayor to sign the Agreement after approval as to form by the City Attorney;
4. APPROVE the Delegation of Authority to Request Disbursements and AUTHORIZE the Mayor to sign the form (Exhibit No. 4);
5. AUTHORIZE the transfer of \$3,384,670.00 in the reserve account of the Carson Successor Agency to the City of Carson General Fund account and use the funds for the initial deposit to the CERBT account.

III. ALTERNATIVES

TAKE other action the City Council deems appropriate.

EXHIBIT NO 01



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IV. BACKGROUND

The Governmental Accounting Standards Board (GASB) is a national non-profit organization that formulates accounting standards for State and local governments. GASB standards are not law but are accounting principles that improve the relevance of financial reporting. Non-compliance with GASB standards could result to audit findings, and can have a negative effect on a city's financial status which could also impact its bond rating.

On June 21 2004, GASB issued two statements: Statement 43 - Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

These statements deal with accounting, reporting and disclosure requirements for other postemployment benefits commonly known as "OPEB". GASB established these standards as a result of a growing concern that state and local governments were not recognizing the total cost of promised other postemployment benefits in their annual financial statements.

OPEB consists of healthcare benefits including medical, dental, vision and other health-related benefits, whether provided separately or through a defined benefit pension plan. However, as it relates to the City, OPEB is defined as medical benefits only that are provided to retirees.

Currently, the City's cost of this health benefit premium is funded on a pay-as-you-go basis for the current retirees. According to GASB, this current cash outlay is not the full cost of OPEBs since it does not include the cost to the employer of the OPEBs earned by active employees. GASB does not require a local government to fund the actuarial contributions. However, if the City does not pre-fund the liability, its financial statements may show a growing net OPEB obligation each year. As of June 30, 2011, the city showed a net OPEB obligation of \$14,400,682.00. This growing liability could have negative impacts on credit ratings and cost of issuing debt. More importantly, staff believes that pre-funding this obligation demonstrates prudent financial management. The funds that the city deposits in the trust account will earn investment income that will help pay for future benefits. This has been proven by the CalPERS system governing the statewide pension benefits. Based on the data from the CERBT, an affiliate services division of CalPERS, nearly \$8 billion or 72% of the total \$11 billion annual pension benefits being paid by CalPERS comes from investment returns.

Staff analyzed the pre-funding programs of CalPERS CERBT, ICMA and PARS and determined that the CalPERS CERBT will best serve the city's interest. CERBT reported that as of March 2012, it is the largest public multiple-employer OPEB trust fund in the nation. It has 318 contracted employers including the State of California, 87 Cities or Towns, 11 Counties, 27 Schools/Districts/Offices of

Education, 3 Superior Courts, 189 Special Districts and other Public Agencies.

During the first four years of operation the total annual cost of participation with CERBT was less than 12 basis points (0.12%) per year. This cost will be deducted from the investment returns so there will be no actual cash outlay on the part of the City associated with the administration of the trust account.

Due to the apparent advantage of CERBT over other contractors, staff recommends that the City participates in the California Employers' Retiree Benefit Trust (CERBT) fund. To be eligible to participate in CalPERS CERBT, the city will need to take the following steps:

1. Hire an actuarial consulting firm to perform the valuation work using the actuarial assumption and methods prescribed by CalPERS.
2. Provide the actuarial firm with the Summary of Actuarial Information Required for CalPERS Financial Statements.
3. Complete the Certification of OPEB Actuarial Information and Funding Policy.
4. Present the Agreement and the Delegation of Authority to the City's governing body for adoption and approval.
5. Complete and provide two original signed copies of the Agreement and Election to Prefund Other Post Employment Benefits.
6. Complete the Delegation of Authority to Request Disbursements.

As mentioned, GASB 45 requires the measurement of OPEB liabilities via an actuarial valuation. The valuation is a complicated cash flow projection performed by an actuary who projects cash coming in as contributions and cash moving out in the form of benefit payments for retirees, using assumptions on population and benefit structure, as of a valuation date. The result is an annual projection of balances until all of the liabilities have been fully funded.

The City contracted with The Epler Company (Epler) which prepared the July 1, 2010 actuarial information required by CalPERS. In addition to the July 1, 2010 actuarial valuation, the City requested Epler to perform a roll-forward valuation to project the City's current retiree health obligations for both the employees of the City and the then redevelopment agency. The results of these valuations are included in this report under Exhibit Nos. 1 and 2. According to the February 2012 report, the total projected accrued actuarial liability of the City is \$54,517,325.00 of which, \$3,384,670.00 represents liabilities of the former redevelopment agency, now the Carson Successor Agency.

The 2012 report from Epler also reflects an annual required contribution of \$6,350,084.00 to fully liquefy the calculated actuarial liability at a 5% discount rate, the equivalent of the pay-as-you go method that the City currently uses. Per the GASB mandate, the City is not required to fund the full amount shown in the



April 17, 2012

valuation. According to the Agreement attached as Exhibit No. 3, the minimum contribution that can be accepted in the CERBT trust account is the lesser of \$5,000.00 or the annual required contribution (ARC).

However, in order to start reducing the unfunded OPEB obligation and build the trust fund with investment earnings, staff recommends that the City Council authorize the pre-funding of the OPEB obligation with \$3,384,670.00 included in the fund balance of the Carson Successor Agency. This obligation is included in the Recognized Obligation Payment Schedule (ROPS) that will be submitted to the State of California Department of Finance. City Council approval is requested to transfer the funds from the Carson Successor Agency to the City of Carson General Fund. After it remits the initial deposit of \$3.4 million, the City can remit contributions based on its financial capacity. It should be noted that the CERBT is an Internal Revenue Code Section 115 irrevocable trust. Once funds are deposited in the trust, they may never be withdrawn for any purpose other than funding the costs of the employer's retiree medical benefits.

If City Council decides to pre-fund the OPEB liabilities, staff requests the City Council (1) to adopt and approve the attached Resolution No. 12 - 038, "A Resolution Approving the Agreement and Election to Pre-fund Other Post Employment Benefit between the CERBT and the City of Carson," (2) and to delegate authority to the incumbents in the positions of the City Manager, the Administrative Services General Manager and Finance Officer to request disbursements out of the trust account, in order to comply with the CERBT requirement nos. 4, 5 and 6 above. With regards to requirement nos. 1 and 2, while the CERBT will accept the July 1, 2010 valuation that we now have, the City will be required to perform an updated valuation at July 1, 2011 which the city intends to submit before June 30, 2012. The rest of the requirements will be completed through the coordination among staff, Epler and CERBT.

V. **FISCAL IMPACT**

Funds in the amount of \$3,384,670.00 that are required to pre-fund the CERBT account are available in the Carson Successor Agency fund balance and upon Council approval will be transferred to the City's General Fund account no. 01-00-999-000 9182. When these funds are remitted to the CERBT, the account to be charged is 01-21-999-043 6140.

When an updated OPEB actuarial valuation is prepared, the City will be required to select an asset allocation strategy and a funding policy which determines the discount rate that is used to determine the retiree health obligations. The CERBT Program offers 3 different asset allocation strategies (7.61%, 7.06% or 6.39%). The difference between these 3 asset allocation strategies lies in the level of participation within each asset class. Each strategy has a distinct level of investment return volatility and risk. The City may also choose to use a blended rate, using a combination of a certain discount rate and a percentage of payroll.



April 17, 2012

Management's recommendation pertaining to asset allocation strategy and funding policies will be presented during the upcoming budget workshops.

VI.

EXHIBITS

1. 2010 Actuarial Valuation Report of Epler. (pgs. 6-37)
2. 2012 Roll-forward Actuarial Valuation Report of Epler. (pgs. 38-52)
3. Resolution No. 12-038 - Agreement and Election of the City of Carson to Prefund Other Post Employment Benefits Through CalPERS. (pgs. 53-63)
4. Delegation of Authority to Request Disbursements. (p. 64)

Document1

Prepared by: Trini H. Catbagan, Finance Officer

TO:Rev03-08-12

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development	Public Services

Action taken by City Council

Date _____ Action _____



The

Company

BENEFITS AND COMPENSATION
CONSULTANTS AND ACTUARIES



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San Diego, CA 92101-8002

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September 16, 2011

PRIVATE

Ms. Trinidad Catbagan
Finance Manager
City of Carson
701 E. Carson Street
Carson, CA 90749

Re: GASB Actuarial Valuation

Dear Ms. Catbagan:

We are presenting our report of the July 1, 2010 actuarial valuation conducted on behalf of the City of Carson (the "City") for its retiree health program.

The purpose of the valuation is to measure the City's liability for retiree health benefits and to determine the impact on the City's future accounting requirements under the Government Accounting Standard Board Statements No. 43 & 45 (GASB 43 & 45) in regard to unfunded liabilities for retiree health benefits.

The Epler Company is a San Diego-based, independently owned actuarial, benefits and compensation consulting firm specializing in group health, retiree health valuations, and qualified pension plan valuations. We have set forth the results of our valuation in this report.

We have enjoyed working on this assignment and are available to answer any questions.

Sincerely,

THE EPLER COMPANY

A handwritten signature in black ink, appearing to read 'Marilyn K. Jones'.

Marilyn K Jones, ASA, MAAA, EA
Vice President and Actuary

MKJ:rl
Enclosure

As required by U.S. Treasury Regulations governing tax practice, IRS Circular 230 Tax Advice Disclaimer, you are hereby advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the U.S. Internal Revenue Code.

EXHIBIT NO 02



City of Carson
Actuarial Valuation
Retiree Health Program

As of July 1, 2010

Prepared by:

The Epler Company
450 "B" Street, Suite 750
San Diego, CA 92101
(619) 239-0831

February 2011



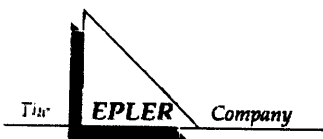


**City of Carson
Actuarial Valuation
Retiree Health Program
As of July 1, 2010**

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Section I. Executive Summary

Background

The City of Carson (the City) selected The Epler Company to perform an actuarial valuation of its retiree health program. The purpose of the actuarial valuation is to measure the City's liability for retiree health benefits and to determine the City's accounting requirements for other post-employment benefits (OPEB) under Governmental Accounting Standards Board Statements No. 43 & 45 (GASB 43 and GASB 45). GASB 45 requires accrual accounting for the expensing of OPEB. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis. GASB 43 requires additional financial disclosure for funded OPEB Plans.

The City currently provides a contribution towards retiree health benefits for eligible employees at retirement continuing medical coverage under the CalPERS Health Program. As of the valuation date, there are 184 retirees receiving a City contribution and 546 employees currently working and earning service credit for retiree health benefits. 189 of these employees are unclassified part-time employees.

To be eligible for a City contribution for retiree health benefits, an employee must retire from the City and commence pension benefits under PERS (typically on or after age 50 with at least 5 years of service). The City's contribution is based on the highest HMO family rate and is subject to annual increases. The City's contribution is payable for life for retirees and surviving spouses. The City provides the CalPERS minimum required employer contribution (\$105 per month in 2010, \$108 per month in 2011 and indexed to medical CPI increases for future years) for unclassified/part-time employee and their surviving spouses continuing coverage in the CalPERS Health Program at retirement. Section V of the report details the plan provisions that were included in the valuation and the current premium costs for health coverage.

Results of the Retiree Health Valuation

The amount of the actuarial liability for the City's retiree health benefits program as of July 1, 2010, the measurement date, is \$71,348,273 (\$66,755,378 for City staff and \$4,592,895 for Redevelopment staff). This amount is based on a discount rate of 5% which assumes the City continues to maintain the retiree health benefits program as an unfunded plan. The amount represents the present value of all contributions for retiree health benefits projected to be paid by the City for current and future retirees. If the City were to place this amount in a fund earning interest at the rate of 5% per year, and all other actuarial assumptions were exactly met, the fund

would have exactly enough to pay all expected contributions for retiree health benefits. This includes contributions for retiree health benefits for the current retirees as well as the current active employees expected to retire in the future. The valuation does not consider employees not yet hired as of the valuation date.

If the amount of the actuarial liability is apportioned into past service, current service and future service components; the past service component (actuarial accrued liability) is \$50,765,291 (\$47,835,698 for City staff and \$2,929,593 for Redevelopment staff), the current service component (normal cost or current year accrual) is \$2,517,847 (\$2,372,999 for City staff and \$198,848 for Redevelopment staff) and the future service component (not yet accrued liability) is \$18,011,135 (\$16,546,681 for City staff and \$1,464,454 for Redevelopment staff).

Expense

Under GASB 45, the City is required to expense for its retiree benefits using accrual accounting. The accrual expense or annual required contribution under GASB terminology is generally accrued over the working career of employees. For the City's 2010/2011 fiscal year, the annual required contribution is \$6,107,934 (\$5,702,502 for City staff and \$405,432 for Redevelopment staff). This amount is comprised of the present value of benefits accruing in the fiscal year (normal cost) plus a 28-year amortization (on a level-dollar basis) of the unfunded actuarial accrued liability (past service liability) at July 1, 2010. Thus, it represents a means to expense the plan's liabilities in an orderly manner. The net OPEB obligation at the end of the fiscal year will reflect any actual retiree health contributions and any GASB eligible pre-funding amounts made during the period.

Funding

As of the valuation date, the City does not have any funds eligible as plan assets under GASB 45. Under GASB 45, assets cannot be considered as employer contributions or plan assets unless they are segregated for exclusive use for retiree health benefit payments and secured from creditors of the City. The City's unfunded actuarial accrued liability at July 1, 2010 is \$50,765,291 (\$47,835,698 for City staff and \$2,929,593 for Redevelopment staff). The expected City contribution for benefits for the 2010/2011 fiscal year is \$1,102,284 (\$1,049,712 for City staff and \$52,572 for Redevelopment staff).

We have listed below some financial advantages that may be achieved pre-funding retiree health benefits. Of course, pre-funding will have to be weighed against alternative uses of the City contribution amounts.

- The earlier contributions are made, the less contributions in aggregate will have to be made to fulfill the City's obligations.
- Depending on the investment strategy for funds, a higher discount rate may be used for the actuarial valuation resulting in lower OPEB liabilities.
- Pre-funding can mitigate any resulting adverse impact on credit rating that could result from disclosure of OPEB liabilities.
- Pre-funding may provide additional benefit security to current and future retirees.

Section II of the report provides alternative results assuming the City were to adopt pre-funding through the California Employers' Retiree Benefit Trust (CERBT), a GASB eligible trust. The CERBT has an investment policy with an expected long-term rate of return equal to 7.75% for employers pre-funding the annual required contribution (ARC) each year. A comparison of the valuation results using a 7.75% and a 6.0% discount rate versus a 5.0% discount rate is provided in the table on the following page. The 7.75% comparable financial results reflect a policy to fully-fund the annual required contribution through CERBT. The 6.0% comparable financial reflect a policy to partially-fund (assumes 50%) the annual required contribution through CERBT.

	<u>Discount Rate</u>		
<u>City Staff</u>	<u>5.0%</u>	<u>6.0%</u>	<u>7.75%</u>
1 Actuarial Liability:	\$66,755,378	\$55,495,727	\$41,549,550
2 Actuarial Accrued (Past Service) Liability:	\$47,835,698	\$40,800,531	\$31,772,589
3 Normal Cost at July 1, 2010:	\$2,372,999	\$1,944,522	\$1,416,595
4 Not Yet Accrued (Earned) Liability: (1) – (2) – (3)	\$16,546,681	\$12,750,674	\$8,360,366
5 Unfunded Actuarial Accrued Liability:	\$47,835,698	\$40,800,531	\$31,772,589
6 Annual Required Contribution:	\$5,702,502	\$5,104,609	\$4,336,301
7 Expected City Contributions:	\$1,049,712	\$2,552,305	\$4,336,301
<u>Redevelopment Staff</u>			
1 Actuarial Liability:	\$4,592,895	\$3,772,706	\$2,769,836
2 Actuarial Accrued (Past Service) Liability:	\$2,929,593	\$2,485,681	\$1,917,549
3 Normal Cost at July 1, 2010:	\$198,848	\$163,152	\$119,170
4 Not Yet Accrued (Earned) Liability: (1) – (2) – (3)	\$1,464,454	\$1,123,873	\$733,117
5 Unfunded Actuarial Accrued Liability:	\$2,929,593	\$2,485,681	\$1,917,549
6 Annual Required Contribution:	\$405,432	\$358,354	\$297,991
7 Expected City Contributions:	\$52,572	\$179,177	\$297,991
<u>Total</u>			
1 Actuarial Liability:	\$71,348,273	\$59,268,433	\$44,319,386
2 Actuarial Accrued (Past Service) Liability:	\$50,765,291	\$43,286,212	\$33,690,138
3 Normal Cost at July 1, 2010:	\$2,571,847	\$2,107,674	\$1,535,765
4 Not Yet Accrued (Earned) Liability: (1) – (2) – (3)	\$18,011,135	\$13,874,547	\$9,093,483
5 Unfunded Actuarial Accrued Liability:	\$50,765,291	\$43,286,212	\$33,690,138
6 Annual Required Contribution:	\$6,107,934	\$5,462,963	\$4,634,292
7 Expected City Contributions:	\$1,102,284	\$2,731,482	\$4,634,292

There are multiple ways to approach the funding of a retiree health plan. The annual required contribution (accrual expense) is one method, of many, that could be used to pre-fund benefits. Section IV of the report provides other funding alternatives for the City.



Actuarial Basis

The actuarial valuation is based on the assumptions and methods outlined in Section VII of the report. To the extent that a single or a combination of assumptions is not met the future liability may fluctuate significantly from its current measurement. As an example, the healthcare cost increase anticipates that the rate of increase in medical cost will be at moderate levels and decline over several years. Increases higher than assumed would bring larger liabilities and expensing requirements. A 1% increase in the healthcare trend rate for each future year would increase the annual required contribution by 20%.

Another key assumption used in the valuation is the discount (interest) rate which is based on the expected rate of return of plan assets. The valuation is based on a discount rate of 5%. A 1% decrease in the discount rate would increase the annual required contribution by 14%. A 1% increase in the discount rate would decrease the annual required contribution by 11%.

GASB 45 requires that implicit rate subsidies be considered in the valuation of medical costs. An implicit rate subsidy occurs when the rates for retirees are the same as for active employees. Since pre-Medicare retirees are typically much older than active employees, their actual medical costs are almost always higher than for active employees. It is our understanding that the City participates in a community-rated health plan (CalPERS Health Plan) and is exempt from valuing this rate subsidy. Typically, inclusion of the rate subsidy will result in significantly larger liabilities and expensing requirements.



Section II. Financial Results

A. Valuation Results

The table below presents the employer liabilities associated with the City's retiree health benefits program determined in accordance with GASB 43 & 45. The actuarial liability (AL) is the present value of all the City's contributions projected to be paid under the program. The actuarial accrued liability (AAL) reflects the amount attributable to the past service of current employees and retirees. The normal cost reflects the accrual attributable for the current period. The results were determined using the 5.0% discount rate which reflects the City maintaining its current funding policy.

	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Actuarial Liability (AL)			
Actives	\$48,659,432	\$3,401,033	\$52,060,465
Retirees	<u>18,095,946</u>	<u>1,191,862</u>	<u>19,287,808</u>
Total AL	\$66,755,378	\$4,592,895	\$71,348,273
2. Actuarial Accrued Liability (AAL)			
Actives	\$29,739,752	\$1,737,731	\$31,477,483
Retirees	<u>18,095,946</u>	<u>1,191,862</u>	<u>19,287,808</u>
Total AAL	\$47,835,698	\$2,929,593	\$50,765,291
3. Normal Cost at July 1, 2008	\$ 2,372,999	\$ 198,848	\$ 2,571,847
No. of Active Employees	331	26	357
Average Age	48.8	47.9	48.7
Average Past Service	13.9	9.1	13.6
No. of Retired Employees	177	7	184
Average Age	70.5	62.1	70.2
Average Retirement Age	58.2	58.4	58.2

Note: Active count excludes 189 unclassified employees

B. Development of Unfunded Actuarial Accrued Liability

The table below presents the development of the unfunded actuarial accrued liability (UAAL). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability (AAL) over the actuarial value of eligible plan assets¹. Eligible assets under GASB 45 must be segregated and secured for the exclusive purpose of paying for the retiree health benefits.

	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Actuarial Accrued Liability (AAL)	\$47,835,698	\$2,929,593	\$50,765,291
2. Actuarial Value of Assets ¹	<u>0</u>	<u>0</u>	<u>0</u>
3. Unfunded AAL (UAAL)	\$47,835,698	\$2,929,593	\$50,765,291

C. Amortization of Unfunded Actuarial Accrued Liability

The amortization of the UAAL component of the annual required contribution (ARC) is being amortized over an amortization period of 28 years on a level-dollar basis.

	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Unfunded AAL (UAAL)	\$47,835,698	\$2,929,593	\$50,765,291
2. Amortization Factor	14.898128	14.898128	14.898128
3. Amortization of UAAL	\$ 3,210,853	\$ 196,642	\$3,407,495

¹ The City has not reported any eligible plan assets under GASB 45.

D. Annual Required Contribution (ARC)

The table below presents the development of the annual required contribution (ARC) under GASB 45 for the 2010/2011 fiscal year and an estimate for the 2011/2012 fiscal year.

<u>ARC 2010/2011 Fiscal Year</u>	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Normal Cost at End of Year	\$2,491,649	\$208,790	\$2,700,439
2. Amortization of UAAL (End of Year)	<u>3,210,853</u>	<u>196,642</u>	<u>3,407,495</u>
3. Annual Required Contribution (ARC)	\$5,702,502	\$405,432	\$6,107,934

<u>ARC 2011/2012 Fiscal Year</u>	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Normal Cost at End of Year	\$2,616,231	\$219,230	\$2,835,461
2. Amortization of UAAL (End of Year)	<u>3,210,853</u>	<u>196,642</u>	<u>3,407,495</u>
3. Annual Required Contribution (ARC)	\$5,827,084	\$415,872	\$6,242,956

E. Estimated Net OPEB Obligation at 6/30/11

The table below presents an estimate of the net OPEB obligation at the end of the 2010/2011 fiscal year assuming the net OPEB obligation at June 30, 2010 is \$9,571,356. The actual net OPEB obligation will reflect actual contributions made for payment of retiree health benefits and expenses and to pre-fund.

	<u>Total</u>
1. Annual Required Contribution (ARC)	\$ 6,107,934
2. Interest on Net OPEB Obligation [E7 x .05]	486,760
3. Adjustment to ARC [minus E7/14.898128]	(653,452)
4. Annual OPEB Cost	\$ 5,941,242
5. Contributions Made (Includes Benefit Payments)*	(1,275,767)
6. Increase in Net OPEB Obligation	\$ 4,665,475
7. Net OPEB Obligation – June 30, 2010	<u>9,735,207</u>
8. Net OPEB Obligation – June 30, 2011	\$14,400,682

*Based on actual reported by the City

F. Results - Alternative Discount Rates

The City also requested the measurement of the liability and annual required contribution using discount rates to reflect alternative funding strategies through the California Employers' Retiree Benefit Trust (CERBT). The 7.75% comparable financial results (Table 1 below) reflect a policy to fully-fund the annual required contribution through CERBT. The 6.0% comparable financial results (Table 2 below) reflect a policy to partially-fund (assumes 50%) the annual required contribution through CERBT.

Table 1 – Fund 100% of Annual Required Contribution (7.75% Discount Rate)

<u>Liabilities</u>	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Actuarial Liability (AL)			
Actives	\$28,038,288	\$1,906,921	\$29,945,209
Retirees	<u>13,511,262</u>	<u>862,915</u>	<u>14,374,177</u>
Total AL	\$41,549,550	\$2,769,836	\$44,319,386
2. Actuarial Accrued Liability (AAL)			
Actives	\$18,261,327	\$1,054,634	\$19,315,961
Retirees	<u>13,511,262</u>	<u>862,915</u>	<u>14,374,177</u>
Total AAL	\$31,772,589	\$1,917,549	\$33,690,138
3. Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>
4. Unfunded AAL (UAAL)	\$31,772,589	\$1,917,549	\$33,690,138

2010/2011 Annual Required Contribution (ARC)

1. Normal Cost at End of Year	\$ 1,526,381	\$ 128,406	\$ 1,654,787
2. Amortization of UAAL			
At End of Year	<u>2,809,920</u>	<u>169,585</u>	<u>2,979,505</u>
3. Annual Required Contribution (ARC)	\$ 4,336,301	\$ 297,991	\$ 4,634,292

Estimated 2011/2012 Annual Required Contribution (ARC)

1. Normal Cost at End of Year	\$ 1,644,676	\$ 138,357	\$ 1,783,033
2. Amortization of UAAL			
At End of Year	<u>2,809,920</u>	<u>169,585</u>	<u>2,979,505</u>
3. Annual Required Contribution (ARC)	\$ 4,454,595	\$ 307,942	\$ 4,762,538

Table 2 – Fund 50% of Annual Required Contribution (6.0% Discount Rate)

<u>Liabilities</u>	<u>City Staff</u>	<u>Redevelopment</u>	<u>Total</u>
1. Actuarial Liability (AL)			
Actives	\$39,333,889	\$2,720,328	\$42,054,217
Retirees	<u>16,161,838</u>	<u>1,052,378</u>	<u>17,214,216</u>
Total AL	\$55,495,727	\$3,772,706	\$59,268,433
2. Actuarial Accrued Liability (AAL)			
Actives	\$24,638,693	\$1,433,303	\$26,071,996
Retirees	<u>16,161,838</u>	<u>1,052,378</u>	<u>17,214,216</u>
Total AAL	\$40,800,531	\$2,485,681	\$43,286,212
3. Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>
4. Unfunded AAL (UAAL)	\$40,800,531	\$2,485,681	\$43,286,212

2010/2011 Annual Required Contribution (ARC)

1. Normal Cost at End of Year	\$ 2,061,193	\$ 172,941	\$ 2,234,134
2. Amortization of UAAL			
At End of Year	<u>3,043,416</u>	<u>185,413</u>	<u>3,228,829</u>
3. Annual Required Contribution (ARC)	\$ 5,104,609	\$ 358,354	\$ 5,462,963

Estimated 2011/2012 ARC

1. Normal Cost at End of Year	\$ 2,184,865	\$ 183,318	\$ 2,368,183
2. Amortization of UAAL			
At End of Year	<u>3,043,416</u>	<u>185,413</u>	<u>3,228,829</u>
3. Annual Required Contribution (ARC)	\$ 5,228,281	\$ 368,731	\$ 5,597,012

Section III. Projected Cash Flows

The valuation process includes the projection of the expected benefits and/or contributions to be paid by the City under its retiree health benefits program. This expected cash flow takes into account the likelihood of each employee reaching age for eligibility to retire and receive health benefits. The projection is performed by applying the turnover assumption to each active employee for the period between the valuation date and the expected retirement date. Once the employees reach their retirement date, a certain percent are assumed to enter the retiree group each year. Employees already over the latest assumed retirement age as of the valuation date are assumed to retire immediately or at first eligibility, if later. The per capita cost as of the valuation date is projected to increase at the applicable healthcare trend rates both before and after the employee's assumed retirement. The projected per capita costs are multiplied by the number of expected future retirees in a given future year to arrive at the cash flow for that year. Also, a certain number of retirees will leave the group each year due to expected deaths and this group will cease to be included in the cash flow from that point forward. Because this is a closed-group valuation, the number of retirees dying each year will eventually exceed the number of new retirees, and the size of the cash flow will begin to decrease and eventually go to zero.

The expected employer cash flows for selected future years are provided in the following tables:

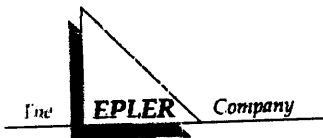


Table 3a - Projected Employer Cash Flows – Benefit Eligible City Staff

<u>Fiscal Year</u>	<u>Future Retirees</u>	<u>Retired Employees</u>	<u>Total</u>
2010/11	\$ 78,827	\$ 970,885	\$ 1,049,712
2011/12	\$ 252,115	\$ 1,002,827	\$ 1,254,942
2012/13	\$ 444,045	\$ 1,048,445	\$ 1,492,490
2013/14	\$ 645,342	\$ 1,088,694	\$ 1,734,036
2014/15	\$ 860,056	\$ 1,122,888	\$ 1,982,944
2015/16	\$ 1,076,701	\$ 1,150,285	\$ 2,226,986
2016/17	\$ 1,300,638	\$ 1,170,291	\$ 2,470,929
2017/18	\$ 1,516,956	\$ 1,183,909	\$ 2,700,865
2018/19	\$ 1,736,938	\$ 1,193,780	\$ 2,930,718
2019/20	\$ 1,955,876	\$ 1,201,164	\$ 3,157,040
2020/21	\$ 2,145,135	\$ 1,205,829	\$ 3,350,964
2021/22	\$ 2,362,587	\$ 1,207,536	\$ 3,570,123
2022/23	\$ 2,560,698	\$ 1,206,177	\$ 3,766,875
2023/24	\$ 2,755,349	\$ 1,201,731	\$ 3,957,080
2024/25	\$ 2,973,849	\$ 1,194,183	\$ 4,168,032
2025/26	\$ 3,173,299	\$ 1,183,458	\$ 4,356,757
2026/27	\$ 3,368,149	\$ 1,169,415	\$ 4,537,564
2027/28	\$ 3,540,613	\$ 1,152,001	\$ 4,692,614
2028/29	\$ 3,693,089	\$ 1,131,238	\$ 4,824,327
2029/30	\$ 3,901,126	\$ 1,107,140	\$ 5,008,266
2030/31	\$ 4,070,448	\$ 1,079,698	\$ 5,150,146
2031/32	\$ 4,213,215	\$ 1,048,922	\$ 5,262,137
2032/33	\$ 4,352,536	\$ 1,009,694	\$ 5,362,230
2033/34	\$ 4,504,046	\$ 972,653	\$ 5,476,699
2034/35	\$ 4,626,294	\$ 932,635	\$ 5,558,929
2035/36	\$ 4,736,611	\$ 889,793	\$ 5,626,404
2036/37	\$ 4,834,879	\$ 844,135	\$ 5,679,014
2037/38	\$ 4,890,181	\$ 796,241	\$ 5,686,422
2038/39	\$ 4,940,561	\$ 746,170	\$ 5,686,731
2039/40	\$ 4,973,306	\$ 694,400	\$ 5,667,706
2040/41	\$ 4,977,003	\$ 641,528	\$ 5,618,531
2050/51	\$ 4,014,457	\$ 183,647	\$ 4,198,104
2060/61	\$ 2,137,871	\$ 12,099	\$ 2,149,970
2070/71	\$ 643,038	\$ 0	\$ 643,038
2080/81	\$ 70,172	\$ 0	\$ 70,172
2090/91	\$ 767	\$ 0	\$ 767
2100/01	\$ 0	\$ 0	\$ 0
All Years	\$182,541,693	\$36,918,255	\$219,459,948

Table 3b -Projected Employer Cash Flows – Benefit Eligible Redevelopment

<u>Fiscal Year</u>	<u>Future Retirees</u>	<u>Retired Employees</u>	<u>Total</u>
2010/11	\$ 3,675	\$ 48,897	\$ 52,572
2011/12	\$ 12,562	\$ 52,431	\$ 64,993
2012/13	\$ 23,338	\$ 56,489	\$ 79,827
2013/14	\$ 34,315	\$ 59,919	\$ 94,234
2014/15	\$ 49,833	\$ 63,186	\$ 113,019
2015/16	\$ 67,819	\$ 66,228	\$ 134,047
2016/17	\$ 78,909	\$ 68,999	\$ 147,908
2017/18	\$ 91,879	\$ 71,480	\$ 163,359
2018/19	\$ 108,060	\$ 73,802	\$ 181,862
2019/20	\$ 124,071	\$ 76,073	\$ 200,144
2020/21	\$ 137,573	\$ 78,253	\$ 215,826
2021/22	\$ 153,059	\$ 80,298	\$ 233,357
2022/23	\$ 170,109	\$ 82,177	\$ 252,286
2023/24	\$ 184,410	\$ 83,853	\$ 268,263
2024/25	\$ 201,406	\$ 85,291	\$ 286,697
2025/26	\$ 215,937	\$ 86,446	\$ 302,383
2026/27	\$ 230,319	\$ 87,275	\$ 317,594
2027/28	\$ 243,582	\$ 87,733	\$ 331,315
2028/29	\$ 261,028	\$ 87,783	\$ 348,811
2029/30	\$ 264,851	\$ 87,388	\$ 352,239
2030/31	\$ 276,347	\$ 86,491	\$ 362,838
2031/32	\$ 292,623	\$ 85,047	\$ 377,670
2032/33	\$ 306,417	\$ 83,032	\$ 389,449
2033/34	\$ 314,139	\$ 80,460	\$ 394,599
2034/35	\$ 323,513	\$ 77,372	\$ 400,885
2035/36	\$ 327,810	\$ 73,822	\$ 401,632
2036/37	\$ 336,762	\$ 69,844	\$ 406,606
2037/38	\$ 348,440	\$ 65,446	\$ 413,886
2038/39	\$ 351,045	\$ 60,671	\$ 411,716
2039/40	\$ 356,822	\$ 55,618	\$ 412,440
2040/41	\$ 362,620	\$ 50,423	\$ 413,043
2050/51	\$ 311,487	\$ 11,077	\$ 322,564
2060/61	\$ 190,856	\$ 448	\$ 191,304
2070/71	\$ 66,366	\$ 0	\$ 66,366
2080/81	\$ 6,628	\$ 0	\$ 6,628
2090/91	\$ 0	\$ 0	\$ 0
2100/01	\$ 0	\$ 0	\$ 0
All Years	\$13,632,114	\$ 2,569,509	\$16,201,623

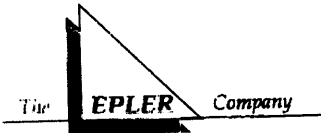
Table 3c - Projected Employer Cash Flows – All Benefit Eligible

<u>Fiscal Year</u>	<u>Future Retirees</u>	<u>Retired Employees</u>	<u>Total</u>
2010/11	\$ 82,502	\$ 1,019,782	\$ 1,102,284
2011/12	\$ 264,677	\$ 1,055,258	\$ 1,319,935
2012/13	\$ 467,383	\$ 1,104,934	\$ 1,572,317
2013/14	\$ 679,657	\$ 1,148,613	\$ 1,828,270
2014/15	\$ 909,889	\$ 1,186,074	\$ 2,095,963
2015/16	\$ 1,144,520	\$ 1,216,513	\$ 2,361,033
2016/17	\$ 1,379,547	\$ 1,239,290	\$ 2,618,837
2017/18	\$ 1,608,835	\$ 1,255,389	\$ 2,864,224
2018/19	\$ 1,844,998	\$ 1,267,582	\$ 3,112,580
2019/20	\$ 2,079,947	\$ 1,277,237	\$ 3,357,184
2020/21	\$ 2,282,708	\$ 1,284,082	\$ 3,566,790
2021/22	\$ 2,515,646	\$ 1,287,834	\$ 3,803,480
2022/23	\$ 2,730,807	\$ 1,288,354	\$ 4,019,161
2023/24	\$ 2,939,759	\$ 1,285,584	\$ 4,225,343
2024/25	\$ 3,175,255	\$ 1,279,474	\$ 4,454,729
2025/26	\$ 3,389,236	\$ 1,269,904	\$ 4,659,140
2026/27	\$ 3,598,468	\$ 1,256,690	\$ 4,855,158
2027/28	\$ 3,784,195	\$ 1,239,734	\$ 5,023,929
2028/29	\$ 3,954,117	\$ 1,219,021	\$ 5,173,138
2029/30	\$ 4,165,977	\$ 1,194,528	\$ 5,360,505
2030/31	\$ 4,346,795	\$ 1,166,189	\$ 5,512,984
2031/32	\$ 4,505,838	\$ 1,133,969	\$ 5,639,807
2032/33	\$ 4,658,953	\$ 1,092,726	\$ 5,751,679
2033/34	\$ 4,818,185	\$ 1,053,113	\$ 5,871,298
2034/35	\$ 4,949,807	\$ 1,010,007	\$ 5,959,814
2035/36	\$ 5,064,421	\$ 963,615	\$ 6,028,036
2036/37	\$ 5,171,641	\$ 913,979	\$ 6,085,620
2037/38	\$ 5,238,621	\$ 861,687	\$ 6,100,308
2038/39	\$ 5,291,606	\$ 806,841	\$ 6,098,447
2039/40	\$ 5,330,128	\$ 750,018	\$ 6,080,146
2040/41	\$ 5,339,623	\$ 691,951	\$ 6,031,574
2050/51	\$ 4,325,944	\$ 194,724	\$ 4,520,668
2060/61	\$ 2,328,727	\$ 12,547	\$ 2,341,274
2070/71	\$ 709,404	\$ 0	\$ 709,404
2080/81	\$ 76,800	\$ 0	\$ 76,800
2090/91	\$ 775	\$ 0	\$ 775
2100/01	\$ 0	\$ 0	\$ 0
All Years	\$196,173,807	\$39,487,764	\$235,661,571

Section IV. Funding Analysis

There are multiple ways to approach the funding of a retiree health plan. The annual required contribution (ARC) is one method, of many, that could be used to pre-fund benefits. The ARC amount will fluctuate from year to year based on the asset performance and as the population matures. Presented below are other alternatives to pre-fund the City obligation (the present value of projected benefits – actuarial liability) for its current active employees and retirees using a level-dollar method.

	<u>Level-Dollar Equivalent</u>		
<u>City Staff</u>	<u>20 Years</u>	<u>25 Years</u>	<u>30 Years</u>
<u>5% Discount Rate</u>			
Fund Actuarial Liability =\$66.7M:	\$5,356,000	\$4,736,000	\$4,343,000
<u>6% Discount Rate</u>			
Fund Actuarial Liability =\$55.5M:	\$4,838,000	\$4,341,000	\$4,032,000
<u>7.75% Discount Rate</u>			
Fund Actuarial Liability =\$41.5M:	\$4,153,000	\$3,810,000	\$3,604,000
 <u>Redevelopment Staff</u>	 <u>20 Years</u>	 <u>25 Years</u>	 <u>30 Years</u>
<u>5% Discount Rate</u>			
Fund Actuarial Liability =\$4.6M:	\$369,000	\$326,000	\$299,000
<u>6% Discount Rate</u>			
Fund Actuarial Liability =\$3.8M:	\$329,000	\$295,000	\$274,000
<u>7.75% Discount Rate</u>			
Fund Actuarial Liability =\$2.8M:	\$277,000	\$254,000	\$240,000
 <u>All Benefit Eligible</u>	 <u>20 Years</u>	 <u>25 Years</u>	 <u>30 Years</u>
<u>5% Discount Rate</u>			
Fund Actuarial Liability =\$71.3M:	\$5,725,000	\$5,062,000	\$4,642,000
<u>6% Discount Rate</u>			
Fund Actuarial Liability =\$59.3M:	\$5,167,000	\$4,636,000	\$4,306,000
<u>7.75% Discount Rate</u>			
Fund Actuarial Liability =\$44.3M:	\$4,430,000	\$4,064,000	\$3,844,000



We have listed below some financial advantages that may be achieved pre-funding retiree health benefits. Of course, pre-funding will have to be weighed against alternative uses of the contribution amounts.

- The earlier contributions are made, the less contributions in aggregate will have to be made to fulfill the City's obligations.
- Depending on the investment strategy for funds, a higher discount rate may be used for the actuarial valuation resulting in lower OPEB liabilities.
- Pre-funding can mitigate any resulting adverse impact on credit rating that could result from disclosure of OPEB liabilities.
- Pre-funding may provide additional benefit security to current and future retirees.



Section V. Benefit Plan Provisions

This study analyzes the post-employment benefits provided by the City.

The City contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The City's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum. The City's will pay medical premium increases of the highest full-family HMO rate up to a cap of 15% for subsequent contract years. Kaiser Basic (non-Medicare). The current maximum City contribution is \$1,110 and is scheduled to increase to \$1,297 on January 1, 2011, to \$1,400 on January 1, 2012 and is limited to a maximum increase of 10%, thereafter, based on the highest family rate. Unclassified/part-time employees are eligible for the minimum required employer contribution under the CalPERS Health Plan. The current minimum required contribution is \$105 per month and is scheduled to increase to \$108 for 2011 and by medical price inflation thereafter.

An employee is eligible for the City contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the City. Vesting requires at least 5 years of PERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

Premium Rates

The City participates in the CalPERS Health Program, a community-rated program, for medical coverage. The tables below summarize the calendar 2010 and 2011 monthly medical premiums for the primary medical plans in which the retirees are enrolled.

2010 Los Angeles Region	BS Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Select	PERS Choice OOS
Retiree Only	\$413.17	\$424.69	\$368.06	\$772.05	\$452.41	\$422.35	\$579.58
Retiree Plus Spouse	\$826.34	\$849.38	\$736.12	\$1,544.10	\$904.82	\$844.70	\$1,159.16
Retiree Only-Medicare	\$298.36	\$299.53	\$299.53	\$410.60	\$356.09	\$356.09	\$356.09
Retiree Plus Spouse - Medicare	\$596.72	\$599.06	\$599.06	\$821.20	\$712.18	\$712.18	\$712.18
Retiree Plus Spouse - Mixed	\$711.53	\$724.22	\$667.59	\$1,182.65	\$808.50	\$778.44	\$935.67

OOS = Out-of-State

2011 Los Angeles Region	Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Select	PERS Choice OOS
Retiree Only	\$434.00	\$496.93	\$427.58	\$787.24	\$496.15	\$433.87	\$636.97
Retiree Plus Spouse	\$868.00	\$993.86	\$855.16	\$1,574.48	\$992.30	\$867.74	\$1,273.94
Retiree Only- Medicare	\$282.30	\$337.88	\$337.88	\$433.66	\$375.88	\$375.88	\$375.88
Retiree Plus Spouse – Medicare	\$564.60	\$675.76	\$675.76	\$867.32	\$751.76	\$751.76	\$751.76
Retiree Plus Spouse – Mixed	\$716.30	\$834.81	\$765.46	\$1,220.90	\$872.03	\$809.75	\$1,012.85

Note: Above rates reflect the early retirement rate subsidies that apply to the 2011 rates for early retirees. Continuation of the rate subsidy is dependent on available federal funding through 2014.

Section VI. Valuation Data

The valuation was based on the census furnished to us by the City. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Measurement Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

	City	Redevelopment	Total
<50	2	0	2
50-54	5	1	6
55-59	13	1	14
60-64	42	3	45
65-69	29	2	31
70-74	25	0	25
75-79	27	0	27
80-84	19	0	19
85+	<u>15</u>	<u>0</u>	<u>15</u>
Total:	177	7	184
Average Age:	70.5	62.1	70.2
Average Retirement Age:	58.2	58.4	58.2

*Count excludes 15 retirees who were reported as not eligible for coverage.

Age/Service Distribution of Eligible Active Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	31	7								38
25-29	19	14								33
30-34	18	24	8							50
35-39	17	17	14	1						49
40-44	16	36	17	0	5	2				76
45-49	13	20	19	3	20	1				76
50-54	19	12	19	2	16	5	7	2		82
55-59	9	27	12	1	8	6	3	6		72
60-64	8	9	6	0	4	6	1	2		36
65-69	5	5	4	0	3	3	1	0		21
70+	<u>5</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>13</u>
Total:	160	178	99	7	56	23	12	11	0	546
Average Age:			46.1							
Average Service:			10.3							

Age/Service Distribution of Eligible Active Classified City Employees

Age/Service Distribution of Eligible Active Classified City Employees										
Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	2									2
25-29	2	6								8
30-34	6	11	8							25
35-39	9	11	13	1						34
40-44	4	20	17	0	5	2				48
45-49	8	11	16	3	18	1				57
50-54	3	8	18	2	15	5	7	2		60
55-59	5	17	12	1	8	5	3	6	0	57
60-64	2	3	5	0	4	6	1	1	0	22
65-69	1	5	3	0	3	3	1	0	0	16
70+	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>
Total:	43	92	92	7	53	22	12	10	0	331
Average Age:			48.8							
Average Service:			13.9							

Age/Service Distribution of Eligible Active Unclassified/Part-time City Employees

Age/Service Distribution of Eligible Active Unclassified Personnel										
Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	29	7								36
25-29	15	8	0							23
30-34	11	11	0							22
35-39	6	6	0							12
40-44	10	16	0	0						26
45-49	5	8	0	0	1					14
50-54	16	3	0	0	0	0				19
55-59	3	9	0	0	0	0	0			12
60-64	5	5	0	0	0	0	0	1		11
65-69	4	0	0	0	0	0	0	0	0	4
70+	<u>3</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total:	107	80	0	0	1	0	0	1	0	189
Average Age:			41.1							
Average Service:			4.1							

Age/Service Distribution of Eligible Active Redevelopment Employees

Age/Service Distribution of Eligible Active Redevelopment Employees										
Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	0									0
25-29	2									2
30-34	1	2								3
35-39	2	0	1							3
40-44	2	0	0	0						2
45-49	0	1	3	0	1					5
50-54	0	1	1	0	1					3
55-59	1	1	0	0	0	1				3
60-64	1	1	1	0	0	0	0			3
65-69	0	0	1	0	0	0	0	0		1
70+	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total:	10	6	7	0	2	1	0	0	0	26
Average Age:			47.9							
Average Service:			9.1							

Section VII. Actuarial Assumptions and Methods

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year: July 1st to June 30th

Measurement Date: July 1, 2010

Discount Rate: Results using discount rates associated with alternative funding policy are presented in the valuation report as follows:

5.0% per annum. This discount rate assumes the City continues to fund for its retiree health benefits on as pay-as-you-go basis.

7.75% per annum. This discount rate assumes the City pre-funds 100% of the annual required contribution within the California Employers' Retiree Benefit Trust (CERBT), a GASB eligible trust.

6.0% per annum. Provided for comparison purpose.

Salary Increases: 3.25% per annum, in aggregate

Pre-retirement Turnover: According to the termination rates under the CalPERS pension plan. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age			
	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	8.68%	7.11%	5.54%	0.97%
10	6.68%	5.07%	0.71%	0.38%
15	5.03%	3.47%	0.23%	0.04%
20	3.70%	0.21%	0.05%	0.01%
25	2.29%	0.05%	0.01%	0.01%
30	0.05%	0.01%	0.01%	0.01%

Pre-retirement Mortality: According to the pre-retirement mortality rates under the CalPERS pension plan. Sample deaths per 1,000 employees applicable to Miscellaneous employees are as follows:

Age	Males	Females
25	0.5	0.3
30	0.5	0.4
35	0.7	0.5
40	0.9	0.7
45	1.2	0.9
50	1.8	1.3
55	2.6	1.8
60	4.0	2.7

Post-retirement Mortality: According to the post-retirement mortality rates under the CalPERS pension plan. Sample deaths per 1,000 employees applicable to non-disabled retirees are as follows:

Age	Males	Females
55	4.7	2.4
60	7.2	4.3
65	10.7	7.8
70	16.8	12.4
75	30.8	20.7
80	52.7	37.5
85	97.8	70.1
90	167.5	124.0

Retirement Rates:

According to the retirement rates under the CalPERS pension plan. Sample retirement rates for Miscellaneous employees under the 3.0% @60 pension formula are as follows:

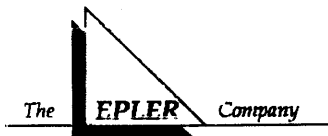
Age	15	20	25	30	35
50	4.0%	4.8%	5.5%	6.2%	6.9%
51	3.2%	3.8%	4.3%	4.9%	5.4%
52	3.0%	3.5%	4.0%	4.6%	5.1%
53	3.8%	4.5%	5.2%	5.9%	6.5%
54	6.0%	7.0%	8.1%	9.1%	10.2%
55	12.8%	15.0%	17.3%	19.5%	21.8%
56	8.5%	10.0%	11.5%	13.0%	14.5%
57	9.4%	11.0%	12.7%	14.3%	16.0%
58	11.1%	13.0%	15.0%	16.9%	18.9%
59	12.3%	14.5%	16.7%	18.9%	21.0%
60	14.5%	17.0%	19.6%	22.1%	24.7%
61	13.6%	16.0%	18.4%	20.8%	23.2%
62	19.6%	23.0%	26.5%	29.9%	33.4%
63	17.0%	20.0%	23.0%	26.0%	29.0%
64	17.0%	20.0%	23.0%	26.0%	29.0%
65	23.0%	27.0%	31.1%	35.1%	39.2%
66	17.0%	20.0%	23.0%	26.0%	29.0%
67	17.0%	20.0%	23.0%	26.0%	29.0%
68	17.0%	20.0%	23.0%	26.0%	29.0%
69	17.0%	20.0%	23.0%	26.0%	29.0%
70	20.4%	24.0%	27.6%	31.2%	34.8%
71	20.4%	24.0%	27.6%	31.2%	34.8%
72	20.4%	24.0%	27.6%	31.2%	34.8%
73	20.4%	24.0%	27.6%	31.2%	34.8%
74	20.4%	24.0%	27.6%	31.2%	34.8%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Sample retirement rates for Miscellaneous employees under the 2.0%
@55 pension formula are as follows:

Age	15	20	25	30	35
50	2.4%	2.9%	3.3%	3.9%	4.4%
51	2.0%	2.4%	2.7%	3.3%	3.7%
52	2.2%	2.7%	3.0%	3.6%	4.0%
53	2.7%	3.2%	3.7%	4.3%	4.9%
54	4.1%	4.9%	5.6%	6.7%	7.6%
55	7.8%	9.4%	10.7%	12.7%	14.3%
56	6.9%	8.3%	9.5%	11.3%	12.7%
57	7.4%	9.0%	10.2%	12.2%	13.7%
58	8.0%	9.7%	11.0%	13.1%	14.8%
59	9.2%	11.1%	12.7%	15.1%	16.9%
60	11.2%	13.4%	15.3%	18.2%	20.5%
61	13.7%	16.5%	18.8%	22.4%	25.2%
62	19.7%	23.7%	27.0%	32.2%	36.2%
63	19.9%	23.9%	27.3%	32.5%	36.6%
64	18.0%	21.6%	24.7%	29.4%	33.0%
65	26.9%	32.3%	36.9%	43.9%	49.4%
66	20.8%	25.0%	28.5%	34.0%	38.2%
67	20.6%	24.7%	28.2%	33.6%	37.8%
68	18.2%	21.9%	25.0%	29.7%	33.4%
69	17.9%	21.5%	24.6%	29.3%	32.9%
70	21.4%	25.7%	29.3%	34.9%	39.3%
71	14.5%	17.5%	20.0%	23.8%	26.7%
72	16.0%	19.2%	22.0%	26.1%	29.4%
73	12.9%	15.5%	17.7%	21.1%	23.7%
74	10.0%	12.0%	13.7%	16.3%	18.3%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.



Participation Rates: 100% of eligible active employees are assumed to elect medical coverage at retirement. Of those electing coverage, 50% of those electing coverage are assumed to elect HMO coverage and the remaining 50% are assumed to elect PPO coverage. Actual plan coverage is used for current retirees.

Unclassified/Part-time employees are assumed to either terminate employment with the City prior to eligibility for retiree health benefits or to decline coverage at retirement due to the high retiree contribution required.

Spouse Coverage: 50% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Dependent Coverage: Not explicitly valued.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The City participates in the CalPERS Health Plan, a community rated plan. The valuation assumes the City is exempt from the valuation of any medical plan rate subsidy.

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2012	8.0%	7.5%
2013	7.5%	7.0%
2014	7.0%	6.5%
2015	6.5%	6.0%
2016	6.0%	5.5%
2017	5.5%	5.0%
2018+	5.0%	5.0%

City Contribution: The CalPERS minimum required contribution is assumed to increase 5% per year. The City's maximum contribution is assumed to increase at the ultimate medical trend rate in future years.



Actuarial Cost Method: The actuarial cost method used is the Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year.

All employees eligible as of the measurement date in accordance with the provisions of the plan listed in the data provided by the City were included in the valuation.

Actuarial Value of Assets: There are no GASB eligible assets as of the valuation date.

Amortization of UAAL: The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-dollar method. The remaining period at July 1, 2010 is assumed to be 28 years.

Section VIII. Actuarial Certification

The results set forth in this report are based on the actuarial valuation of the retiree health benefits program of the City of Carson "City") as of July 1, 2010.

The valuation was performed in accordance with generally accepted actuarial principles and practices and in accordance with GASB Statements No. 43 & 45. We relied on census data for active employees and retirees provided to us by the City. We also made use of plan information, premium information, and enrollment information provided to us by the City.

The assumptions used in performing the valuation, as summarized in this report, and the results based thereupon, represent our best estimate of anticipated experience and actuarial cost of the retiree health benefits program.

I am a member of the American Academy of Actuaries and believe I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Certified by:



Marilyn K. Jones, ASA, EA, MAAA, FCCA Date: 9/16/2011
Vice President and Actuary

The

Company

BENEFITS AND COMPENSATION
CONSULTANTS AND ACTUARIES

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REVISED

April 5, 2012

PRIVATE

Ms. Trinidad Catbagan
Finance Officer
City of Carson
701 E. Carson Street
Carson, CA 90749

Re: GASB 45 Actuarial Valuation Projections of City's Retiree Health Benefits Obligation

Dear Ms. Catbagan:

As the City requested, we have performed a roll-forward valuation to provide projections of the City's current retiree health benefits obligation for both City and redevelopment employees. In addition to needing a current estimate of its unfunded obligation for the redevelopment employees, the City is also studying the prefunding of its retiree health obligation through the California Employers' Retiree Benefit Trust (CERBT) for both City and redevelopment employees. The purpose of the roll-forward valuation is to estimate the City's current obligation and to estimate of the fiscal year 2011/2012 annual required contribution if the City were to elect to fund through the CERBT.

The roll-forward valuation is based on the demographic information, healthcare cost, plan, and assumptions used for the July 1, 2010 actuarial valuation for compliance with Government Accounting Standards Board Statement No. 45 (GASB 45). The roll-forward projects the July 1, 2010 valuation results reflecting an estimate for the passage of time (interest on the obligation less benefits paid by the City for current retirees) and for the additional obligation that has accrued for active employees still earning eligibility for retiree health benefits. We have also adjusted the July 1, 2010 valuation results to reflect the actual increase in the 2011 and 2012 medical premiums that are now known. As the 2010 and 2011 medical premiums have increased less than expected, the result is a decrease in the City's obligation measured at July 1, 2010.



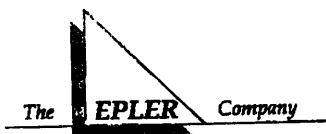
Ms. Trinidad Catbagan
April 5, 2012
Page 2

Pre-funding through the CERBT requires the selection of an asset allocation strategy and a funding policy which determines the discount rate that is used to determine the retiree health obligations. The CERBT provides three asset allocation strategies to participating employers. Each asset allocation strategy contains the same asset classes (Global Equity, US Nominal Bonds, Global Real Estate, Inflation Linked Bonds and Commodities) but varies in the amount allocated to each asset class. Of the 3 strategies, the CERBT asset allocation strategy 1 has the largest percentage in equities and has an expected long term median rate of return of 7.61%. Currently, almost all participating CERBT employers are invested in the CERBT asset allocation strategy 1 due to the long term nature of retiree health benefit obligations.

Under GASB 45, the discount rate used for the valuation is selected based on the assets that will be used to pay benefits. If an employer elects to fully fund their annual required contribution, the discount rate would be based on the expected long term rate of return under the CERBT asset allocation strategy selected. If an employer elects to partially fund the annual required contribution, the discount rate will be based on a blended rate using the expected long term rate of return under the CERBT and a short term rate of return to reflect that some benefits will not be paid from the trust.

The roll-forward valuation results are presented using three different discount rates representing an underlying pre-funding policy and assuming the City selects the CERBT asset allocation strategy 1. The three discount scenarios are described below:

- 1) 5% - assumes the City continues to fund for its retiree health benefits on a pay-as-you-go basis. The 5% reflects a short term rate of return since benefits will be paid from the City's general fund. Short term rates used for GASB 45 purposes are typically between 4% and 5% as they reflect the expectation of future rates over a 30 to 50 year time horizon. This scenario would also be appropriate if the City initiates pre-funding through the CERBT but delays substantial pre-funding to a subsequent fiscal year.
- 2) 7.61% - assumes the City fully funds its fiscal year 2011/2012 annual required contribution inclusive of direct City contributions for benefits for current retirees through the CERBT.
- 3) 6.0% - assumes the City funds 1% of payroll to the CERBT in addition to the direct City contributions for benefits for current retirees. The 6.0% reflects a blending of the 5% short term rate with the 7.61% to reflect that some benefits will continue to be paid from the City's general fund.



Ms. Trinidad Catbagan
April 5, 2012
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The attached Exhibit A presents the results of the roll-forward valuation for each scenario and includes the City's obligation (actuarial accrued liability or AAL) at July 1, 2010 under the assumed discount rate both pre- and post-adjustments for the now known 2011 and 2012 medical premium increases, and an estimate of the actuarial accrued liability at June 30, 2011 and February 1, 2012. The actuarial accrued liability reflects the portion of the liability for future retiree health benefits considered earned to date assuming that benefits are earned over the working lifetime of an employee. The actuarial accrued liability includes the total liability for current retirees. For a fixed population assuming all assumptions are met, the actuarial accrued liability will increase each year by interest and additional benefits earned (accrued) by active employees and will decrease each year by benefits paid for current retirees.

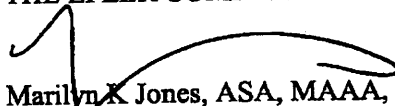
The attached Exhibit A also provides an estimate of the annual required contribution for the fiscal year 2011/2012. The annual required contribution consists of the additional benefits accrued for the year (referred to as the Normal Cost) plus an amortization of the unfunded actuarial accrued liability (Unfunded AAL). Because the City has not been pre-funding for its retiree health benefits, the unfunded actuarial accrued liability equals the actuarial accrued liability. The unfunded actuarial accrued liability is being amortized over 27 years consistent with the amortization schedule adopted by the City under GASB 45. The City could fund using an alternative amortization schedule.

If the City decides to pre-fund through the CERBT, it will be required to perform an updated valuation at June 30, 2011 to comply with GASB 57 which requires employers in multiple employer plans (such as the CERBT) to use the same measurement (valuation) date. Otherwise, the City will be required to perform an updated valuation at July 1, 2012 for compliance with GASB 45 which requires biennial valuations. The results of the updated valuation will replace the estimates and will reflect new demographic information including newly hired employees, any changes in plan provisions and any required assumption or method changes since the July 1, 2010 valuation. The attached Exhibit B, C & D reflect the plan provisions, data statistics and assumptions used for the July 1, 2010 valuation.

We have enjoyed working on this assignment and are available to answer any questions.

Sincerely,

THE EPLER COMPANY


Marilyn K. Jones, ASA, MAAA, EA, FCCA
Vice President and Actuary

MKJ:rl
Enclosure

City of Carson
Retiree Health Program
Liability and Annual Required Contribution Estimates

Exhibit A

Scenario 1 - City Continues Pay-as-you-go Funding (City Contributions for Current Retirees)

	5% Discount Rate		
	City	Redevelopment	Total
Actuarial Accrued Liability (AAL) at July 1, 2010	\$47,835,698	\$ 2,929,593	\$ 50,765,291
Adjustments for known 2011/2012 Premiums	\$ (2,500,106)	\$ (67,149)	\$ (2,567,255)
Adjusted Actuarial Accrued Liability at July 1, 2010	\$45,335,592	\$ 2,862,444	\$ 48,198,036
Interest on July 1, 2010 Adjusted AAL	\$ 2,240,457	\$ 141,781	\$ 2,382,238
Expected City contributions for retirees from 7/1/2010 - 6/30/2011	\$ (1,052,910)	\$ (53,636)	\$ (1,106,546)
Normal cost or additional benefits earned (accrued) from 7/1/2010 - 6/30/2011	\$ 2,421,172	\$ 235,944	\$ 2,657,116
Projected AAL at June 30, 2011	\$48,944,311	\$ 3,186,534	\$ 52,130,845
Interest on June 30, 2011 AAL	\$ 1,417,162	\$ 92,375	\$ 1,509,538
Expected City contributions for retirees from 7/1/2011 - 2/1/2012	\$ (711,786)	\$ (38,755)	\$ (750,541)
Normal cost or additional benefits earned (accrued) from 7/1/2011 - 2/1/2012	\$ 1,482,968	\$ 144,516	\$ 1,627,484
Projected AAL at February 1, 2012	\$51,132,655	\$ 3,384,670	\$ 54,517,325
Estimated FY 2011/2012 Annual Required Contribution (ARC)	\$ 2,542,230	\$ 247,742	\$ 2,789,972
Normal Cost	\$ 3,342,498	\$ 217,614	\$ 3,560,112
Amortization of Unfunded AAL	\$ 5,884,728	\$ 465,356	\$ 6,350,084
Estimated FY 2011/2012 ARC			

Scenario 2 - City Fully Funds ARC Through CERBT Asset Allocation Strategy 1

	7.61% Discount Rate		
	City	Redevelopment	Total
Actuarial Accrued Liability (AAL) at July 1, 2010	\$32,375,323	\$ 1,955,409	\$ 34,330,732
Adjustments for 2011/2012 Premiums	\$ (1,610,039)	\$ (35,591)	\$ (1,645,630)
Adjusted Actuarial Accrued Liability at July 1, 2010	\$30,765,284	\$ 1,919,818	\$ 32,685,102
Interest on July 1, 2010 Adjusted AAL	\$ 2,301,175	\$ 144,057	\$ 2,445,232
Expected City contributions for retirees from 7/1/2010 - 6/30/2011	\$ (1,052,910)	\$ (53,636)	\$ (1,106,546)
Normal cost or additional benefits earned (accrued) from 7/1/2010 - 6/30/2011	\$ 1,527,747	\$ 153,352	\$ 1,681,098
Projected AAL at June 30, 2011	\$33,541,296	\$ 2,163,591	\$ 35,704,887
Interest on June 30, 2011 AAL	\$ 1,473,155	\$ 95,185	\$ 1,568,341
Expected City contributions for retirees from 7/1/2011 - 2/1/2012	\$ (711,786)	\$ (38,755)	\$ (750,541)
Normal cost or additional benefits earned (accrued) from 7/1/2011 - 2/1/2012	\$ 959,005	\$ 96,263	\$ 1,055,268
Projected AAL at February 1, 2012	\$35,261,670	\$ 2,316,284	\$ 37,577,954
Estimated FY 2011/2012 Annual Required Contribution (ARC)	\$ 1,644,008	\$ 165,022	\$ 1,809,030
Normal Cost	\$ 2,961,237	\$ 191,015	\$ 3,152,252
Amortization of Unfunded AAL	\$ 4,805,245	\$ 356,037	\$ 4,961,282
Estimated FY 2011/2012 ARC			

Scenario 3 - City Fully Funds 1% of Payroll Through CERBT In Addition to City Contributions for Current Retirees

	6% Discount Rate		
	City	Redevelopment	Total
Actuarial Accrued Liability (AAL) at July 1, 2010	\$40,800,531	\$ 2,485,681	\$ 43,286,212
Adjustments for 2011/2012 Premiums	\$ (2,091,536)	\$ (52,304)	\$ (2,143,840)
Adjusted Actuarial Accrued Liability at July 1, 2010	\$38,708,995	\$ 2,433,377	\$ 41,142,372
Interest on July 1, 2010 Adjusted AAL	\$ 2,290,952	\$ 144,394	\$ 2,435,346
Expected City contributions for retirees from 7/1/2010 - 6/30/2011	\$ (1,052,910)	\$ (53,636)	\$ (1,106,546)
Normal cost or additional benefits earned (accrued) from 7/1/2010 - 6/30/2011	\$ 2,008,236	\$ 197,919	\$ 2,206,155
Projected AAL at June 30, 2011	\$41,955,273	\$ 2,722,054	\$ 44,677,327
Interest on June 30, 2011 AAL	\$ 1,455,978	\$ 94,594	\$ 1,550,572
Expected City contributions for retirees from 7/1/2011 - 2/1/2012	\$ (711,786)	\$ (38,755)	\$ (750,541)
Normal cost or additional benefits earned (accrued) from 7/1/2011 - 2/1/2012	\$ 1,241,759	\$ 122,380	\$ 1,364,139
Projected AAL at February 1, 2012	\$43,941,225	\$ 2,900,272	\$ 46,841,497
Estimated FY 2011/2012 Annual Required Contribution (ARC)	\$ 2,128,730	\$ 209,794	\$ 2,338,524
Normal Cost	\$ 3,175,895	\$ 206,052	\$ 3,381,947
Amortization of Unfunded AAL	\$ 5,304,625	\$ 415,846	\$ 5,720,471
Estimated FY 2011/2012 ARC			

Exhibit B. July 1, 2010 Actuarial Valuation Benefit Plan Provisions

This study analyzes the post-employment benefits provided by the City.

The City contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The City's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum. The City's will pay medical premium increases of the highest full-family HMO rate up to a cap of 15% for subsequent contract years. Kaiser Basic (non-Medicare). The current maximum City contribution is \$1,110 and is scheduled to increase to \$1,297 on January 1, 2011, to \$1,400 on January 1, 2012 and is limited to a maximum increase of 10%, thereafter, based on the highest family rate. Unclassified/part-time employees are eligible for the minimum required employer contribution under the CalPERS Health Plan. The current minimum required contribution is \$105 per month and is scheduled to increase to \$108 for 2011 and by medical price inflation thereafter.

An employee is eligible for the City contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the City. Vesting requires at least 5 years of PERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

Premium Rates

The City participates in the CalPERS Health Program, a community-rated program, for medical coverage. The tables below summarize the calendar 2010 and 2011 monthly medical premiums for the primary medical plans in which the retirees are enrolled.

2010 Los Angeles Region	Kaiser	BS HMO	BS NVP HMO	PERS Care	PERS Choice	PERS Select	PERS Choice OOS
Retiree Only	\$413.17	\$424.69	\$368.06	\$772.05	\$452.41	\$422.35	\$579.58
Retiree Plus Spouse	\$826.34	\$849.38	\$736.12	\$1,544.10	\$904.82	\$844.70	\$1,159.16
Retiree Only- Medicare	\$298.36	\$299.53	\$299.53	\$410.60	\$356.09	\$356.09	\$356.09
Retiree Plus Spouse – Medicare	\$596.72	\$599.06	\$599.06	\$821.20	\$712.18	\$712.18	\$712.18
Retiree Plus Spouse – Mixed	\$711.53	\$724.22	\$667.59	\$1,182.65	\$808.50	\$778.44	\$935.67

OOS = Out-of-State

Exhibit C. Valuation Data

The July 1, 2010 valuation was based on the census furnished to us by the City. The following tables display the age distribution for retirees and the age/service distribution for active employees as of the Measurement Date.

Age Distribution of Eligible Retired Participants & Beneficiaries

	City	Redevelopment	Total
<50	2	0	2
50-54	5	1	6
55-59	13	1	14
60-64	42	3	45
65-69	29	2	31
70-74	25	0	25
75-79	27	0	27
80-84	19	0	19
85+	<u>15</u>	<u>0</u>	<u>15</u>
Total:	177	7	184
Average Age:	70.5	62.1	70.2
Average Retirement Age:	58.2	58.4	58.2

*Count excludes 15 retirees who were reported as not eligible for coverage.

Age/Service Distribution of Eligible Active Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	31	7								38
25-29	19	14								33
30-34	18	24	8							50
35-39	17	17	14	1						49
40-44	16	36	17	0	5	2				76
45-49	13	20	19	3	20	1				76
50-54	19	12	19	2	16	5	7	2		82
55-59	9	27	12	1	8	6	3	6		72
60-64	8	9	6	0	4	6	1	2		36
65-69	5	5	4	0	3	3	1	0		21
70+	<u>5</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>13</u>
Total:	160	178	99	7	56	23	12	11	0	546
Average Age:			46.1							
Average Service:			10.3							

Age/Service Distribution of Eligible Active Classified City Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	2									2
25-29	2	6								8
30-34	6	11	8							25
35-39	9	11	13	1						34
40-44	4	20	17	0	5	2				48
45-49	8	11	16	3	18	1				57
50-54	3	8	18	2	15	5	7	2		60
55-59	5	17	12	1	8	5	3	6	0	57
60-64	2	3	5	0	4	6	1	1	0	22
65-69	1	5	3	0	3	3	1	0	0	16
70+	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>
Total:	43	92	92	7	53	22	12	10	0	331
Average Age:			48.8							
Average Service:			13.9							

Age/Service Distribution of Eligible Active Unclassified/Part-time City Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	29	7								36
25-29	15	8	0							23
30-34	11	11	0							22
35-39	6	6	0							12
40-44	10	16	0	0						26
45-49	5	8	0	0	1					14
50-54	16	3	0	0	0	0				19
55-59	3	9	0	0	0	0	0			12
60-64	5	5	0	0	0	0	0	1		11
65-69	4	0	0	0	0	0	0	0	0	4
70+	<u>3</u>	<u>7</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total:	107	80	0	0	1	0	0	1	0	189
Average Age:			41.1							
Average Service:			4.1							

Age/Service Distribution of Eligible Active Redevelopment Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	0									0
25-29	2									2
30-34	1	2								3
35-39	2	0	1							3
40-44	2	0	0	0						2
45-49	0	1	3	0	1					5
50-54	0	1	1	0	1					3
55-59	1	1	0	0	0	1				3
60-64	1	1	1	0	0	0	0			3
65-69	0	0	1	0	0	0	0	0		1
70+	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total:	10	6	7	0	2	1	0	0	0	26
Average Age:			47.9							
Average Service:			9.1							

Exhibit D. July 1, 2010 Valuation Actuarial Assumptions & Methods

The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year: July 1st to June 30th

Measurement Date: July 1, 2010

Discount Rate: Results using discount rates associated with alternative funding policy are presented in the valuation report as follows:

5.0% per annum. This discount rate assumes the City continues to fund for its retiree health benefits on a pay-as-you-go basis.

7.75% per annum. This discount rate assumes the City pre-funds 100% of the annual required contribution within the California Employers' Retiree Benefit Trust (CERBT), a GASB eligible trust.

6.0% per annum. Provided for comparison purpose.

Salary Increases: 3.25% per annum, in aggregate

Pre-retirement Turnover: According to the termination rates under the CalPERS pension plan. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age			
	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	8.68%	7.11%	5.54%	0.97%
10	6.68%	5.07%	0.71%	0.38%
15	5.03%	3.47%	0.23%	0.04%
20	3.70%	0.21%	0.05%	0.01%
25	2.29%	0.05%	0.01%	0.01%
30	0.05%	0.01%	0.01%	0.01%

Pre-retirement Mortality: According to the pre-retirement mortality rates under the CalPERS pension plan. Sample deaths per 1,000 employees applicable to Miscellaneous employees are as follows:

Age	Males	Females
25	0.5	0.3
30	0.5	0.4
35	0.7	0.5
40	0.9	0.7
45	1.2	0.9
50	1.8	1.3
55	2.6	1.8
60	4.0	2.7

Post-retirement Mortality: According to the post-retirement mortality rates under the CalPERS pension plan. Sample deaths per 1,000 employees applicable to non-disabled retirees are as follows:

Age	Males	Females
55	4.7	2.4
60	7.2	4.3
65	10.7	7.8
70	16.8	12.4
75	30.8	20.7
80	52.7	37.5
85	97.8	70.1
90	167.5	124.0



Retirement Rates:

According to the retirement rates under the CalPERS pension plan. Sample retirement rates for Miscellaneous employees under the 3.0% @60 pension formula are as follows:

Age	15	20	25	30	35
50	4.0%	4.8%	5.5%	6.2%	6.9%
51	3.2%	3.8%	4.3%	4.9%	5.4%
52	3.0%	3.5%	4.0%	4.6%	5.1%
53	3.8%	4.5%	5.2%	5.9%	6.5%
54	6.0%	7.0%	8.1%	9.1%	10.2%
55	12.8%	15.0%	17.3%	19.5%	21.8%
56	8.5%	10.0%	11.5%	13.0%	14.5%
57	9.4%	11.0%	12.7%	14.3%	16.0%
58	11.1%	13.0%	15.0%	16.9%	18.9%
59	12.3%	14.5%	16.7%	18.9%	21.0%
60	14.5%	17.0%	19.6%	22.1%	24.7%
61	13.6%	16.0%	18.4%	20.8%	23.2%
62	19.6%	23.0%	26.5%	29.9%	33.4%
63	17.0%	20.0%	23.0%	26.0%	29.0%
64	17.0%	20.0%	23.0%	26.0%	29.0%
65	23.0%	27.0%	31.1%	35.1%	39.2%
66	17.0%	20.0%	23.0%	26.0%	29.0%
67	17.0%	20.0%	23.0%	26.0%	29.0%
68	17.0%	20.0%	23.0%	26.0%	29.0%
69	17.0%	20.0%	23.0%	26.0%	29.0%
70	20.4%	24.0%	27.6%	31.2%	34.8%
71	20.4%	24.0%	27.6%	31.2%	34.8%
72	20.4%	24.0%	27.6%	31.2%	34.8%
73	20.4%	24.0%	27.6%	31.2%	34.8%
74	20.4%	24.0%	27.6%	31.2%	34.8%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Sample retirement rates for Miscellaneous employees under the 2.7% @55 pension formula are as follows:

Age	15	20	25	30	35
50	4.3%	5.0%	5.8%	6.5%	7.3%
51	3.4%	4.0%	4.6%	5.2%	5.8%
52	3.4%	4.0%	4.6%	5.2%	5.8%
53	4.3%	5.0%	5.8%	6.5%	7.3%
54	6.8%	8.0%	9.2%	10.4%	11.6%
55	14.0%	16.5%	19.0%	21.5%	23.9%
56	9.4%	11.0%	12.7%	14.3%	16.0%
57	9.8%	11.5%	13.2%	15.0%	16.7%
58	11.5%	13.5%	15.5%	17.6%	19.6%
59	12.8%	15.0%	17.3%	19.5%	21.8%
60	13.6%	16.0%	18.4%	20.8%	23.2%
61	13.2%	15.5%	17.8%	20.2%	22.5%
62	19.1%	22.5%	25.9%	29.3%	32.6%
63	16.6%	19.5%	22.4%	25.4%	28.3%
64	16.6%	19.5%	22.4%	25.4%	28.3%
65	22.5%	26.5%	30.5%	34.5%	38.4%
66	16.6%	19.5%	22.4%	25.4%	28.3%
67	16.6%	19.5%	22.4%	25.4%	28.3%
68	16.6%	19.5%	22.4%	25.4%	28.3%
69	16.6%	19.5%	22.4%	25.4%	28.3%
70	19.9%	23.4%	26.9%	30.4%	33.9%
71	19.9%	23.4%	26.9%	30.4%	33.9%
72	19.9%	23.4%	26.9%	30.4%	33.9%
73	19.9%	23.4%	26.9%	30.4%	33.9%
74	19.9%	23.4%	26.9%	30.4%	33.9%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Sample retirement rates for Miscellaneous employees under the 2.0%
@55 pension formula are as follows:

Age	15	20	25	30	35
50	2.4%	2.9%	3.3%	3.9%	4.4%
51	2.0%	2.4%	2.7%	3.3%	3.7%
52	2.2%	2.7%	3.0%	3.6%	4.0%
53	2.7%	3.2%	3.7%	4.3%	4.9%
54	4.1%	4.9%	5.6%	6.7%	7.6%
55	7.8%	9.4%	10.7%	12.7%	14.3%
56	6.9%	8.3%	9.5%	11.3%	12.7%
57	7.4%	9.0%	10.2%	12.2%	13.7%
58	8.0%	9.7%	11.0%	13.1%	14.8%
59	9.2%	11.1%	12.7%	15.1%	16.9%
60	11.2%	13.4%	15.3%	18.2%	20.5%
61	13.7%	16.5%	18.8%	22.4%	25.2%
62	19.7%	23.7%	27.0%	32.2%	36.2%
63	19.9%	23.9%	27.3%	32.5%	36.6%
64	18.0%	21.6%	24.7%	29.4%	33.0%
65	26.9%	32.3%	36.9%	43.9%	49.4%
66	20.8%	25.0%	28.5%	34.0%	38.2%
67	20.6%	24.7%	28.2%	33.6%	37.8%
68	18.2%	21.9%	25.0%	29.7%	33.4%
69	17.9%	21.5%	24.6%	29.3%	32.9%
70	21.4%	25.7%	29.3%	34.9%	39.3%
71	14.5%	17.5%	20.0%	23.8%	26.7%
72	16.0%	19.2%	22.0%	26.1%	29.4%
73	12.9%	15.5%	17.7%	21.1%	23.7%
74	10.0%	12.0%	13.7%	16.3%	18.3%
75	100.0%	100.0%	100.0%	100.0%	100.0%

* The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Participation Rates: 100% of eligible active employees are assumed to elect medical coverage at retirement. Of those electing coverage, 50% of those electing coverage are assumed to elect HMO coverage and the remaining 50% are assumed to elect PPO coverage. Actual plan coverage is used for current retirees.

Unclassified/Part-time employees are assumed to either terminate employment with the City prior to eligibility for retiree health benefits or to decline coverage at retirement due to the high retiree contribution required.

Spouse Coverage: 50% of future retirees are assumed to elect coverage for their spouse. Male spouses are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees.

Dependent Coverage: Not explicitly valued.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The City participates in the CalPERS Health Plan, a community rated plan. The valuation assumes the City is exempt from the valuation of any medical plan rate subsidy.

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2012	8.0%	7.5%
2013	7.5%	7.0%
2014	7.0%	6.5%
2015	6.5%	6.0%
2016	6.0%	5.5%
2017	5.5%	5.0%
2018+	5.0%	5.0%

City Contribution: The CalPERS minimum required contribution is assumed to increase 5% per year. The City's maximum contribution is assumed to increase at the ultimate medical trend rate in future years.

Actuarial Cost Method: The actuarial cost method used is the Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year.

All employees eligible as of the measurement date in accordance with the provisions of the plan listed in the data provided by the City were included in the valuation.

Actuarial Value of Assets: There are no GASB eligible assets as of the valuation date.

Amortization of UAAL: The unfunded actuarial accrued liability is being amortized over an initial 30 years using the level-dollar method. The remaining period at July 1, 2010 is assumed to be 28 years.

