



**CITY OF MORENO VALLEY
RETIREE HEALTHCARE PLAN**

June 30, 2011 GASB 45 Actuarial Valuation
Final Results

Bartel Associates, LLC
John E. Bartel, President
Joseph R. D’Onofrio
Katherine Moore
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May 22, 2012

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BENEFIT SUMMARY

<p>■ Eligibility</p>	<ul style="list-style-type: none"> • Retire directly from City under CalPERS (age 50 and 5 years of CalPERS service or disability) • Full time employees and City Council eligible • Part-time, temporary, seasonal, crossing guards, and grant employees not eligible 						
<p>■ Retiree Healthcare Benefit</p>	<ul style="list-style-type: none"> • PEMHCA minimum medical benefit for retirees participating in PEMHCA: \$108 per month for 2011 and \$112 per month for 2012 • Additional \$318.73 per month for medical, dental, and vision <ul style="list-style-type: none"> - Hired < 9/30/11 - City total contribution limited to premium - Coverage under any medical plan <table style="margin-left: 40px; border: none;"> <tr> <td style="text-align: center;"><u>Employee Group</u></td> <td style="text-align: center;"><u>Required City Service</u></td> </tr> <tr> <td style="text-align: center;">Management</td> <td style="text-align: center;">5 years</td> </tr> <tr> <td style="text-align: center;">Non Management</td> <td style="text-align: center;">Hired < 7/1/09 - 5 years Hired ≥ 7/1/09 - 10 years</td> </tr> </table> <ul style="list-style-type: none"> • 5 participating retirees and 3 eligible non-participating retirees have grandfathered benefits 	<u>Employee Group</u>	<u>Required City Service</u>	Management	5 years	Non Management	Hired < 7/1/09 - 5 years Hired ≥ 7/1/09 - 10 years
<u>Employee Group</u>	<u>Required City Service</u>						
Management	5 years						
Non Management	Hired < 7/1/09 - 5 years Hired ≥ 7/1/09 - 10 years						

BENEFIT SUMMARY

<p>■ Surviving Spouse Benefit</p>	<ul style="list-style-type: none"> • Benefit continues to surviving spouse of retiree or upon death of active employee while eligible for retirement 																
<p>■ Other OPEB</p>	<ul style="list-style-type: none"> • No City contribution for life insurance or Medicare Part B premium 																
<p>■ PEMHCA Administration Fee</p>	<ul style="list-style-type: none"> • 0.36% of retiree premium for 2011/12 • Paid by City • Included with GASB 45 costs 																
<p>■ Contributions ('000s)</p>	<table style="margin-left: 40px; border: none;"> <thead> <tr> <th style="text-align: center;"><u>Fiscal Year</u></th> <th style="text-align: center;"><u>City PayGo</u></th> <th style="text-align: center;"><u>Pre-Funding</u></th> <th style="text-align: center;"><u>CAFR Total</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2010/11</td> <td style="text-align: center;">\$ 0</td> <td style="text-align: center;">\$1,564</td> <td style="text-align: center;">\$1,564</td> </tr> <tr> <td style="text-align: center;">2009/10</td> <td style="text-align: center;">357</td> <td style="text-align: center;">1,068</td> <td style="text-align: center;">1,425</td> </tr> <tr> <td style="text-align: center;">2008/09</td> <td style="text-align: center;">206</td> <td style="text-align: center;">1,580</td> <td style="text-align: center;">1,786</td> </tr> </tbody> </table>	<u>Fiscal Year</u>	<u>City PayGo</u>	<u>Pre-Funding</u>	<u>CAFR Total</u>	2010/11	\$ 0	\$1,564	\$1,564	2009/10	357	1,068	1,425	2008/09	206	1,580	1,786
<u>Fiscal Year</u>	<u>City PayGo</u>	<u>Pre-Funding</u>	<u>CAFR Total</u>														
2010/11	\$ 0	\$1,564	\$1,564														
2009/10	357	1,068	1,425														
2008/09	206	1,580	1,786														

DATA SUMMARY

Participants

Participants	1/1/10	6/30/11
■ Actives		
• Count	340	297
• Average Age	44.4	47.0
• Average City Service	8.4	9.7
• Average CalPERS Service	10.3	12.3
• Average Pay	\$66,075	\$68,881 ¹
• Total Payroll ² (000's)	22,465	20,251 ³
■ Retirees		
• Count	112	121
• Average Age	63.4	64.5
• Average Retirement Age		
> Service Retirees	58.9	59.0
> Disability Retirees	48.2	48.2

¹ City reported average pay rather than individual pay for each active.

² 1/1/10 pay is PERSable pay and 6/30/11 pay is base pay.

³ Excludes 3 Council members.

DATA SUMMARY

Participant Reconciliation

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ January 1, 2010	340	105	4	3	112
• Terminations ⁴	(60)	-	-	-	-
• New Retirees	(7)	7	0	0	7
• Retiree Deaths	-	(4)	0	0	(4)
• New Hires	12	-	-	-	-
• Corrections - Covered	2	0	0	0	0
• Corrections - Waived	10	4	0	2	6
■ June 30, 2011	297	112	4	5	121

⁴ Includes active employees reported for the 1/1/10 valuation and not reported for the 6/30/11 valuation and actives that moved from full-time to part-time, grant, or temporary status.

ASSETS

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2008/09	2009/10	2010/11
■ Market Value at Beginning of Year	\$ 0	\$ 1,580	\$ 2,875
• CERBT Contributions	1,580	1,068	1,564
• PayGo Contributions ⁵	206	357	0
• Investment Earnings	0	230	994
• Benefit Payments	(206)	(357)	(421)
• Administrative Expenses	0	(2)	(6)
■ Market Value at End of Year	1,580	2,875	5,006
■ MVA Estimated Net Return	0.0%	11.3%	23.5%
■ CERBT Net Annual Return	(23.0%)	15.9%	25.0%

⁵ Benefit payments made directly from City assets.

ASSETS

Actuarial Value of Plan Assets

(Amounts in 000's)

Actuarial Value of Assets	2009/10	2010/11
■ Actuarial Value at Beginning of Year	\$ 1,580	\$ 2,818
• Contributions	1,425	1,564
• Expected Net Earnings	156	323
• Benefit Payments	(357)	(421)
■ Expected AVA at End of Year	2,804	4,284
• Market Value at End of Year	2,875	5,006
• MVA - Expected AVA	71	722
• 1/5 of (MVA - Expected AVA)	14	144
• Preliminary AVA	2,818	4,428
• Minimum AVA (80% of MVA)	2,300	4,005
• Maximum AVA (120% of MVA)	3,450	6,007
■ Actuarial Value at End of Year	2,818	4,428

ASSETS

Historical Plan Assets

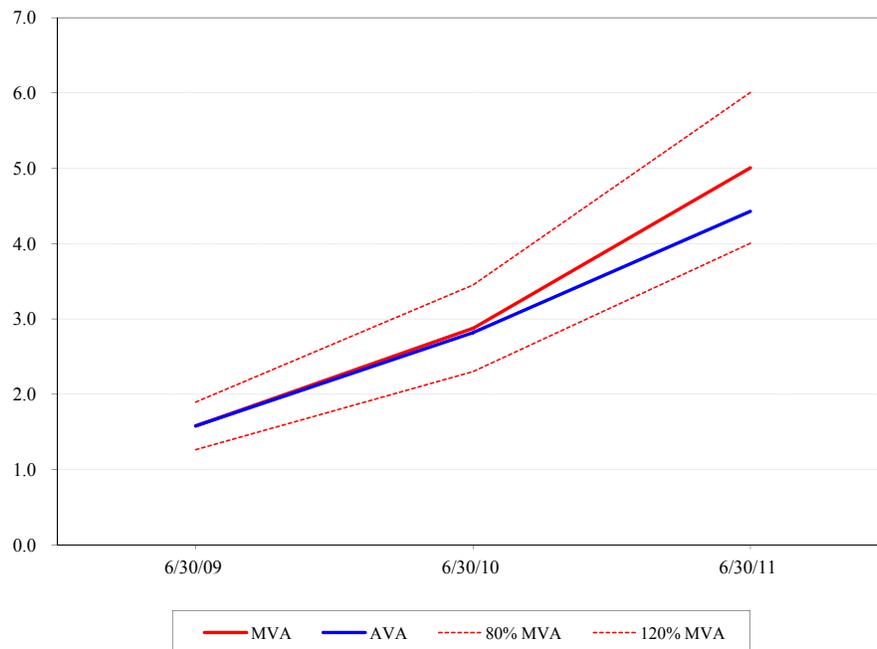
(Amounts in 000's)

Fiscal Year Ending	Market Value	MVA Return ⁶	Actuarial Value	AVA Return ⁶	AVA/MV
6/30/11	\$5,006	23.5%	\$4,428	11.2%	88%
6/30/10	2,875	11.3%	2,818	8.5%	98%
6/30/09	1,580	0.0%	1,580	0.0%	100%

⁶ MVA Return and AVA Return are approximate annual returns net of expenses.

ASSETS

**Actuarial Value of Assets
(Millions of Dollars)**



ASSUMPTIONS & METHODS HIGHLIGHTS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation
<p>■ Valuation Date</p>	<ul style="list-style-type: none"> • January 1, 2010 • 2010/11 & 2011/12 ARCs • 6-month lag period 	<ul style="list-style-type: none"> • June 30, 2011 • 2012/13 & 2013/14 ARCs • 1-year lag period
<p>■ Funding Policy</p>	<ul style="list-style-type: none"> • Contribute full ARC less benefit payments with CERBT • Benefit payments currently made from City assets 	<ul style="list-style-type: none"> • Contribute full ARC less \$450,000 with CERBT #1 for fiscal years 2011/12, 2012/13 & 2013/14 • Contribute full ARC with CERBT #1 beginning fiscal year 2014/15 • Benefit payments made from CERBT

ASSUMPTIONS & METHODS HIGHLIGHTS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation										
<p>■ Discount Rate</p>	<ul style="list-style-type: none"> • 7.75% - ARC prefunded with CERBT 	<ul style="list-style-type: none"> • Select and ultimate rates <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Year</th> <th style="text-align: left; border-bottom: 1px solid black;">Rate</th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>6.00%</td> </tr> <tr> <td>2012/13</td> <td>6.00%</td> </tr> <tr> <td>2013/14</td> <td>6.00%</td> </tr> <tr> <td>2014/15+</td> <td>7.25%</td> </tr> </tbody> </table> • 7.25% ultimate discount rate - ARC prefunded with CERBT Fund #1, 4.25% no funding rate • Includes 0.36% margin for adverse deviation • CalPERS' maximum allowed discount rate is 7.61% for 50th percentile of expected returns 	Year	Rate	2011/12	6.00%	2012/13	6.00%	2013/14	6.00%	2014/15+	7.25%
Year	Rate											
2011/12	6.00%											
2012/13	6.00%											
2013/14	6.00%											
2014/15+	7.25%											
<p>■ \$318.73 Increases</p>	<ul style="list-style-type: none"> • 0% through 2011/12 and 3% per year thereafter 	<ul style="list-style-type: none"> • No future increases 										

ASSUMPTIONS & METHODS HIGHLIGHTS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation															
<ul style="list-style-type: none"> ■ Mortality, Termination, Disability 	<ul style="list-style-type: none"> ● CalPERS 1997-2007 Experience Study 	<ul style="list-style-type: none"> ● CalPERS 1997-2007 Experience Study ● Mortality improvement projection Scale AA. Sample annual longevity increases: <table border="1" style="margin-left: 40px; width: 100%;"> <thead> <tr> <th><u>Age</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr> <td>50</td> <td>1.8%</td> <td>1.7%</td> </tr> <tr> <td>60</td> <td>1.6%</td> <td>0.5%</td> </tr> <tr> <td>70</td> <td>1.5%</td> <td>0.5%</td> </tr> <tr> <td>80</td> <td>1.0%</td> <td>0.7%</td> </tr> </tbody> </table> 	<u>Age</u>	<u>Male</u>	<u>Female</u>	50	1.8%	1.7%	60	1.6%	0.5%	70	1.5%	0.5%	80	1.0%	0.7%
<u>Age</u>	<u>Male</u>	<u>Female</u>															
50	1.8%	1.7%															
60	1.6%	0.5%															
70	1.5%	0.5%															
80	1.0%	0.7%															
<ul style="list-style-type: none"> ■ Participation at Retirement 	<ul style="list-style-type: none"> ● 100% ● Participation in PEMHCA based on current election ● Surviving spouses - 100% 	<ul style="list-style-type: none"> ● 100% ● 67% in PEMHCA at retirement ● Surviving spouses - 100% 															

ASSUMPTIONS & METHODS HIGHLIGHTS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation
<ul style="list-style-type: none"> ■ Waived & Non-PEMHCA Retiree Election 	<ul style="list-style-type: none"> ● Currently < 65: <ul style="list-style-type: none"> ➢ 20% elect PEMHCA plan at 65 ➢ 80% elect non-PEMHCA plan at 65 ● Currently ≥ 65: <ul style="list-style-type: none"> ➢ 0% elect to participate at any time in future 	<ul style="list-style-type: none"> ● Currently < 65: <ul style="list-style-type: none"> ➢ Non-PEMHCA participants - 20% elect PEMHCA plan at 65 ➢ Waived - 50% elect PEMHCA plan at 65 and receive maximum City contribution ● Currently ≥ 65 - 0%
<ul style="list-style-type: none"> ■ Plan Assets 	<ul style="list-style-type: none"> ● Investment gains and losses spread over a 5-year rolling period ● Not less than 80% nor more than 120% of market value 	
<ul style="list-style-type: none"> ■ Amortization Period 	<ul style="list-style-type: none"> ● Level percent of payroll ● 30-year fixed (closed) period for 6/30/08 UAAL for 2008/09 ARC ● 26-year fixed (closed) period for projected 6/30/12 UAAL for 2012/13 ARC 	

RESULTS

Actuarial Obligations

Actuarial Obligations (Amounts in 000's)	<u>1/1/10 Valuation</u>		<u>6/30/11 Valuation</u>		
	Actual 1/1/10	Projected 6/30/11	Actual 6/30/11	Projected 6/30/12	Projected 6/30/13
■ Discount Rate	7.75%	7.75%	S&U	S&U	S&U
■ PVB					
• Actives	\$11,714	\$13,034	\$9,436	\$9,969	\$10,477
• Retirees	<u>7,170</u>	<u>7,232</u>	<u>6,055</u>	<u>5,975</u>	<u>5,887</u>
• Total	18,885	20,268	15,491	15,944	16,364
■ AAL					
• Actives	6,430	8,312	5,615	6,493	7,384
• Retirees	<u>7,170</u>	<u>7,232</u>	<u>6,055</u>	<u>5,975</u>	<u>5,887</u>
• Total	13,600	15,544	11,670	12,467	13,270
■ Actuarial Assets	<u>2,386</u>	<u>4,223</u>	<u>4,428</u>	<u>5,559</u>	<u>6,095</u>
■ Unfunded AAL	11,214	11,321	7,242	6,909	7,175
■ Funded Percent	18%	27%	38%	45%	46%
■ Normal Cost (FY)	786	812	573	592	611
■ Normal Cost % Pay	3.5%	3.5%	2.8%	2.8%	2.8%
■ Pay-As-You-Go (FY)	523	580	463	522	597

RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	<u>1/1/10 Valuation</u>		<u>6/30/11 Valuation</u>	
	2010/11	2011/12	2012/13	2013/14
■ Discount Rate	7.75%	7.75%	S&U	S&U
■ ARC - \$				
• Normal Cost	\$ 786	\$ 812	\$ 592	\$ 611
• UAAL Amortization	<u>778</u>	<u>804</u>	<u>426</u>	<u>457</u>
• ARC	1,564	1,615	1,018	1,069
■ Projected Payroll	22,465	23,195	20,909	21,589
■ ARC - %				
• Normal Cost	3.5%	3.5%	2.8%	2.8%
• UAAL Amortization	<u>3.5%</u>	<u>3.5%</u>	<u>2.0%</u>	<u>2.1%</u>
• ARC	7.0%	7.0%	4.9%	5.0%
■ UAAL Amort Years	Various	Various	26	25

RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	NC%	AAL	AVA	UAAL
■ 1/1/10 Actual	3.5%	\$13,600	\$2,386	\$11,214
■ 6/30/11 Expected	3.5%	15,544	4,223	11,321
■ Experience Losses (Gains)				
• Actual versus expected premiums	(0.0%)	(163)	-	(163)
• Actual versus expected payroll	0.4%	-	-	-
• Contribution gain	-	-	102	(102)
• Investment gain	-	-	103	(103)
• Demographic & other	(0.1%)	(1,716)	-	(1,716)
■ Plan Changes				
• No increase non-PEMHCA benefit	(1.0%)	(3,634)	-	(3,634)
• Eligibility non-PEMHCA benefit	(0.3%)	131	-	131
■ Assumption Changes (next slide)	0.4%	1,507	-	1,507
■ Total Changes	(0.7%)	(3,874)	205	(4,079)
■ 6/30/11 Actual	2.8%	11,670	4,428	7,242

RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	NC%	AAL	AVA	UAAL
■ Assumption Changes				
• Mortality improvement projection	0.1%	\$ 353	-	\$ 353
• Medical trend	0.0%	163	-	163
• Participation in PEMHCA	(0.0%)	(80)	-	(80)
• Pre-retirement survivor death benefit	0.0%	62	-	62
• PEMHCA administration fee	0.0%	53	-	53
• Discount rate	0.3%	956	-	956
■ Assumption Changes	0.4%	1,507	-	1,507

RESULTS

Estimated Net OPEB Obligation (NOO) Projection

(Amounts in 000's)

Estimated Net OPEB Obligation	CAFR 2010/11	Estimate 2011/12	Estimate 2012/13	Estimate 2013/14
■ Discount Rate	7.75%	7.75%	6.00%	6.00%
■ NOO at Beginning of Year	\$ 0	\$ 0	\$ 450	\$ 899
■ Annual OPEB Cost				
• ARC	1,564	1,615	1,018	1,069
• Interest on NOO	0	0	27	54
• NOO Adjustment	<u>0</u>	<u>0</u>	<u>(28)</u>	<u>(57)</u>
• Annual OPEB Cost	1,564	1,615	1,017	1,065
■ Contributions				
• Benefit Payments Outside of Trust	0	0	0	0
• Trust Funding	<u>1,564</u>	<u>1,165</u>	<u>568</u>	<u>619</u>
• Total Contributions	1,564	1,165	568	619
■ NOO at End of Year	0	450	899	1,346
■ NOO Amortization Years	Various	Various	26	25
■ NOO Amortization Factor	n/a	n/a	16.22	15.69

RESULTS

Estimated Pre-Funding Projection

(Amounts in 000's)

Fiscal Year End	Begin Year NOO	ARC	Ann OPEB Cost (AOC)	City Contribution			Pay	ARC as % of Pay	UAAL	BOY AVA Fund %
				Benefit Pmts	Pre- Fund	Total Contr				
2013	\$ 450	\$1,018	\$1,017	\$ 0	\$ 568	\$ 568	\$20,909	4.9%	\$6,909	38%
2014	899	1,069	1,065	0	619	619	21,589	5.0%	7,175	45%
2015	1,346	1,101	1,109	0	1,101	1,101	22,290	4.9%	7,410	46%
2016	1,353	1,102	1,107	0	1,102	1,102	23,015	4.8%	7,353	47%
2017	1,359	1,105	1,107	0	1,105	1,105	23,763	4.6%	7,287	51%
2018	1,361	1,107	1,107	0	1,107	1,107	24,535	4.5%	7,214	54%
2019	1,361	1,110	1,106	0	1,110	1,110	25,332	4.4%	7,131	57%
2020	1,357	1,113	1,106	0	1,113	1,113	26,156	4.3%	7,035	59%
2021	1,350	1,117	1,106	0	1,117	1,117	27,006	4.1%	6,926	62%
2022	1,339	1,122	1,107	0	1,122	1,122	27,883	4.0%	6,802	64%

RESULTS

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	Current Actives	Current Retirees	Total Payment
2011/12	\$32	\$431	\$463
2012/13	88	434	522
2013/14	155	442	597
2014/15	218	448	666
2015/16	290	453	743
2016/17	358	460	819
2017/18	428	465	893
2018/19	496	476	972
2019/20	561	478	1,039
2020/21	629	479	1,108
2021/22	691	478	1,169



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ACTUARIAL CERTIFICATION

This report presents the City of Moreno Valley's ("City") 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 2012/13 and 2013/14 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 or 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 principals 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
May 22, 2012

Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
May 22, 2012



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EXHIBITS

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PREMIUMS

2011 PEMHCA Monthly Premiums
Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$567.87	\$1,135.74	\$1,476.46	\$337.88	\$675.76	\$1,013.64
Blue Shield NetValue	488.62	977.24	1,270.41	337.88	675.76	1,013.64
Kaiser	477.95	955.90	1,242.67	282.30	564.60	846.90
PERS Choice	516.28	1,032.56	1,342.33	375.88	751.76	1,127.64
PERS Select	451.48	902.96	1,173.85	375.88	751.76	1,127.64
PERSCare	819.18	1,638.36	2,129.87	433.66	867.32	1,300.98

PREMIUMS

2012 PEMHCA Monthly Premiums
Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$583.60	\$1,167.20	\$1,517.36	\$337.99	\$675.98	\$1,013.97
Blue Shield NetValue	501.93	1,003.86	1,305.02	337.99	675.98	1,013.97
Kaiser	512.76	1,025.52	1,333.18	277.81	555.62	833.43
PERS Choice	526.19	1,052.38	1,368.09	383.44	766.88	1,150.32
PERS Select	446.68	893.36	1,161.37	383.44	766.88	1,150.32
PERSCare	943.26	1,886.52	2,452.48	432.43	864.86	1,297.29

PREMIUMS

2011 PEMHCA Monthly Premiums
Los Angeles

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$496.93	\$993.86	\$1,292.02	\$337.88	\$675.76	\$1,013.64
Blue Shield NetValue	427.58	855.16	1,111.71	337.88	675.76	1,013.64
Kaiser	434.00	868.00	1,128.40	282.30	564.60	846.90
PERS Choice	496.15	992.30	1,289.99	375.88	751.76	1,127.64
PERS Select	433.87	867.74	1,128.06	375.88	751.76	1,127.64
PERSCare	787.24	1,574.48	2,046.82	433.66	867.32	1,300.98

PREMIUMS

2012 PEMHCA Monthly Premiums
Los Angeles

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Blue Shield	\$510.72	\$1,021.44	\$1,327.87	\$337.99	\$675.98	\$1,013.97
Blue Shield NetValue	439.25	878.50	1,142.05	337.99	675.98	1,013.97
Kaiser	465.63	931.26	1,210.64	277.81	555.62	833.43
PERS Choice	505.63	1,011.26	1,314.64	383.44	766.88	1,150.32
PERS Select	429.22	858.44	1,115.97	383.44	766.88	1,150.32
PERSCare	906.39	1,812.78	2,356.61	432.43	864.86	1,297.29

PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	Actives	Retirees	
		< 65	≥ 65
Blue Shield	21%	14%	23%
Blue Shield NetValue	17%	38%	8%
Kaiser	53%	23%	31%
PERS Choice	9%	25%	23%
PERSCare	0%	0%	15%
Total	100%	100%	100%

PARTICIPANT STATISTICS

Active Medical Coverage

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield	9	12	20		41
Blue Shield NetValue	11	9	13		33
Kaiser	40	27	35		102
PERS Choice	6	5	6		17
Cash Waiver				104	104
Total	66	53	74	104	297
Election %	34%	28%	38%		
Waived %				35%	

PARTICIPANT STATISTICS

Retiree Medical Coverage
Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield	4	2			6
Blue Shield NetValue	8	5	4		17
Kaiser	4	5	1		10
PERS Choice	8	3			11
PERSCare					
Non-PEMHCA Plan				18	18
Waived – No Contribution				9	9
Total	24	15	5	27	71
Election %	55%	34%	11%		
Waived %				38%	

PARTICIPANT STATISTICS

Retiree Medical Coverage
Age 65 and Over

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield	4	2			6
Blue Shield NetValue	1	1			2
Kaiser	3	4	1		8
PERS Choice	3	3			6
PERSCare	4				4
Non-PEMHCA Plan				12	12
Waived – No Contribution				12	12
Total	15	10	1	24	50
Election %	58%	38%	4%		
Waived %				48%	

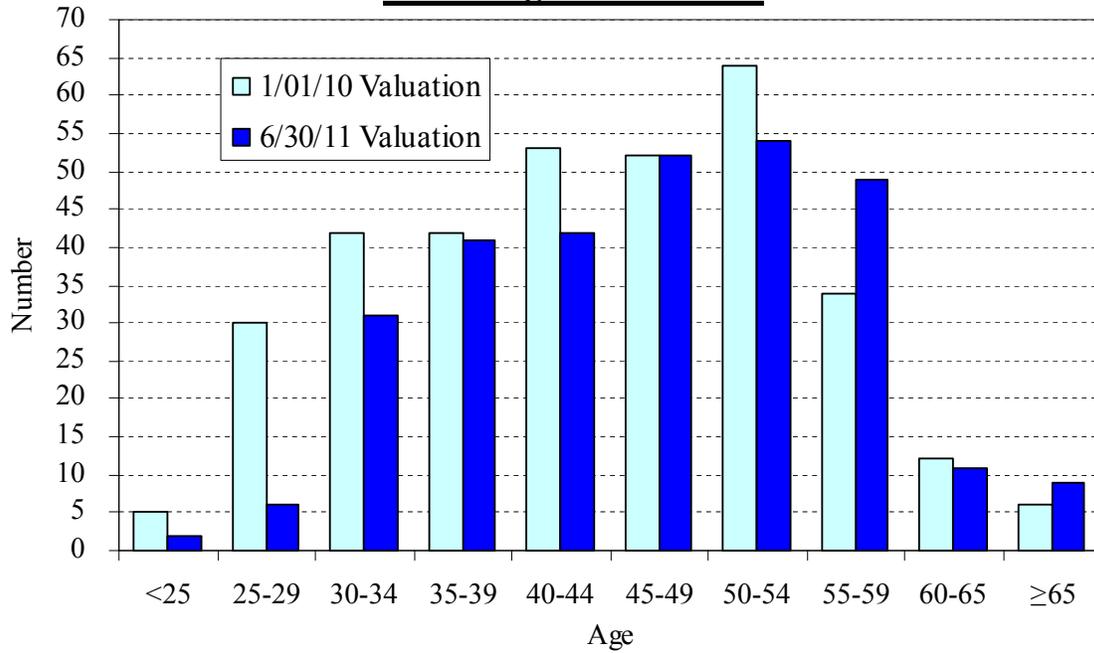
PARTICIPANT STATISTICS

Actives by Age and City Service

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25		2						2
25-29		5	1					6
30-34	2	13	12	4				31
35-39	1	16	15	9				41
40-44		11	19	9	3			42
45-49	3	8	17	15	4	5		52
50-54	2	7	11	16	6	12		54
55-59	2	6	9	12	8	11	1	49
60-64	1		4	2		4		11
≥ 65		2	2	2	1	2		9
Total	11	70	90	69	22	34	1	297

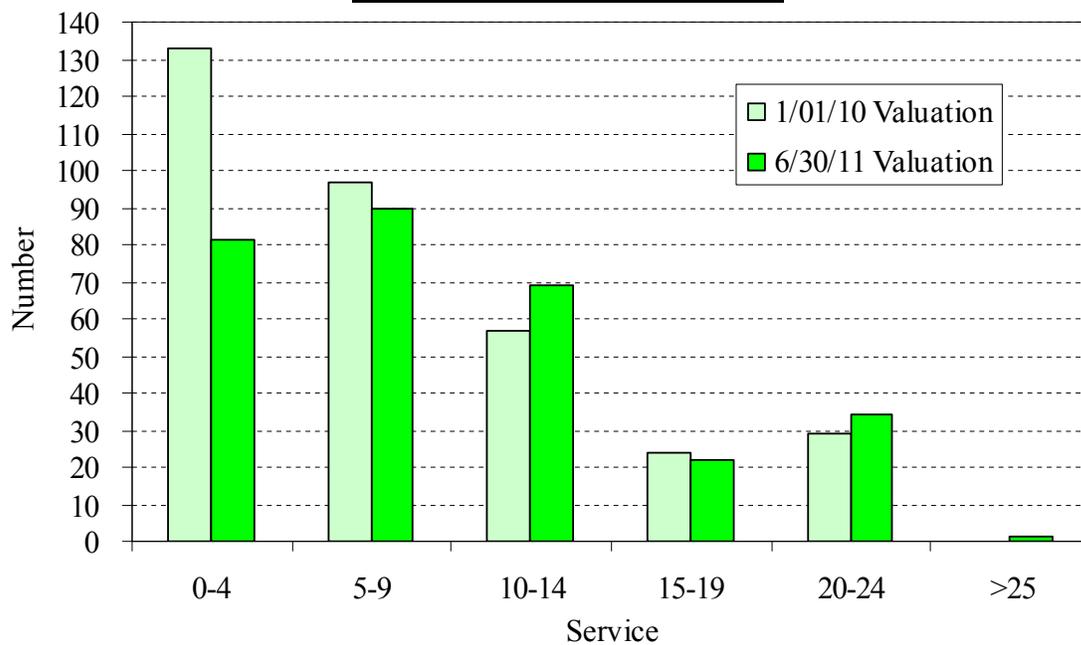
PARTICIPANT STATISTICS

Active Age Distribution



PARTICIPANT STATISTICS

Active Service Distribution



PARTICIPANT STATISTICS

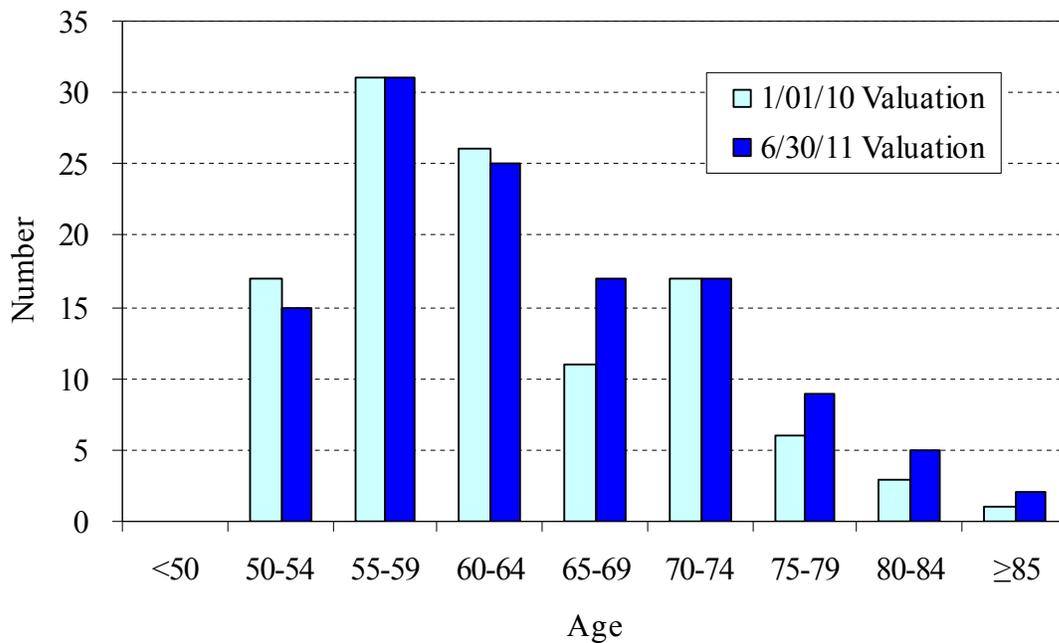
Retiree Medical Coverage by Age Group

Age	Single	2-Party	Family	Waived	Total
Under 50					
50-54	7	3	1	4	15
55-59	5	7	4	15	31
60-64	12	5		8	25
65-69	2	3	1	11	17
70-74	4	4		9	17
75-79	6	2		1	9
80-84	1	1		3	5
85 & Over	2				2
Total	39	25	6	51	121

Average Age	65.6	64.0	58.3	64.5	64.5
< 65 Election %	55%	34%	11%	38%	
≥ 65 Election %	58%	38%	4%	48%	
Total Election %	56%	36%	8%	42%	

PARTICIPANT STATISTICS

Retiree Age Distribution



ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation
■ Valuation Date	<ul style="list-style-type: none"> • January 1, 2010 • 2010/11 & 2011/12 ARCs • 6-month lag period 	<ul style="list-style-type: none"> • June 30, 2011 • 2012/13 & 2013/14 ARCs • 1-year lag period
■ Funding Policy	<ul style="list-style-type: none"> • Contribute full ARC less benefit payments with CERBT • Benefit payments currently made from City assets 	<ul style="list-style-type: none"> • Contribute full ARC less \$450,000 with CERBT #1 for fiscal years 2011/12, 2012/13 & 2013/14 • Contribute full ARC with CERBT #1 beginning fiscal year 2014/15 • Benefit payments made from CERBT

ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation										
■ Discount Rate	<ul style="list-style-type: none"> • 7.75% - ARC prefunded with CERBT 	<ul style="list-style-type: none"> • Select and ultimate rates <table border="1" data-bbox="1003 1312 1299 1501"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2011/12</td> <td>6.00%</td> </tr> <tr> <td>2012/13</td> <td>6.00%</td> </tr> <tr> <td>2013/14</td> <td>6.00%</td> </tr> <tr> <td>2014/15+</td> <td>7.25%</td> </tr> </tbody> </table> • 7.25% ultimate discount rate - ARC prefunded with CERBT Fund #1, 4.25% no funding rate • CalPERS' maximum allowed discount rate is 7.61% for 50th percentile of expected returns • Includes 0.36% margin for adverse deviation 	<u>Year</u>	<u>Rate</u>	2011/12	6.00%	2012/13	6.00%	2013/14	6.00%	2014/15+	7.25%
<u>Year</u>	<u>Rate</u>											
2011/12	6.00%											
2012/13	6.00%											
2013/14	6.00%											
2014/15+	7.25%											
■ General Inflation	<ul style="list-style-type: none"> • 3.00% • Basis for aggregate payroll and discount rate assumptions 	<ul style="list-style-type: none"> • Same 										

ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation																
<ul style="list-style-type: none"> ■ Aggregate Payroll Increases 	<ul style="list-style-type: none"> • 3.25% annually • Inflation plus 0.25% • For Normal Cost calculation and UAAL amortization 	<ul style="list-style-type: none"> • Same 																
<ul style="list-style-type: none"> ■ Merit Payroll Increases 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation 	<ul style="list-style-type: none"> • Same 																
<ul style="list-style-type: none"> ■ PEMHCA Minimum Increases 	<table border="0"> <thead> <tr> <th><u>Year</u></th> <th><u>PEMHCA Minimum</u></th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>\$105.00</td> </tr> <tr> <td>2011</td> <td>108.00</td> </tr> <tr> <td>2012+</td> <td>4.5% Increases</td> </tr> </tbody> </table>	<u>Year</u>	<u>PEMHCA Minimum</u>	2010	\$105.00	2011	108.00	2012+	4.5% Increases	<table border="0"> <thead> <tr> <th><u>Year</u></th> <th><u>PEMHCA Minimum</u></th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>\$108.00</td> </tr> <tr> <td>2012</td> <td>112.00</td> </tr> <tr> <td>2013+</td> <td>4.5% Increases</td> </tr> </tbody> </table>	<u>Year</u>	<u>PEMHCA Minimum</u>	2011	\$108.00	2012	112.00	2013+	4.5% Increases
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2013+	4.5% Increases																	
<ul style="list-style-type: none"> ■ \$318.73 Increases 	<ul style="list-style-type: none"> • 0% through 2011/12 and 3% per year thereafter 	<ul style="list-style-type: none"> • No increases 																

ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation																
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • Not included 	<ul style="list-style-type: none"> • 0.5% load 																
<ul style="list-style-type: none"> ■ CalPERS Service 	<ul style="list-style-type: none"> • CalPERS service • Used for CalPERS demographic assumptions which are based on total CalPERS service 	<ul style="list-style-type: none"> • Same 																
<ul style="list-style-type: none"> ■ Service Retirement 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study <table border="0"> <thead> <tr> <th></th> <th><u>Misc</u></th> </tr> </thead> <tbody> <tr> <td>Benefit</td> <td>2.7%@55</td> </tr> <tr> <td>PERS Hire Age</td> <td>34</td> </tr> <tr> <td>Exp Retirement Age</td> <td>58</td> </tr> </tbody> </table>		<u>Misc</u>	Benefit	2.7%@55	PERS Hire Age	34	Exp Retirement Age	58	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study <table border="0"> <thead> <tr> <th></th> <th><u>Misc</u></th> </tr> </thead> <tbody> <tr> <td>Benefit⁷</td> <td>2.7%@55</td> </tr> <tr> <td>PERS Hire Age</td> <td>35</td> </tr> <tr> <td>Exp Retirement Age</td> <td>58</td> </tr> </tbody> </table>		<u>Misc</u>	Benefit ⁷	2.7%@55	PERS Hire Age	35	Exp Retirement Age	58
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⁷ 2%@55 for hires after 9/30/11.

ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation															
<ul style="list-style-type: none"> ■ Mortality, Termination, Disability 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study 	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study • Mortality improvement projection Scale AA. Sample annual longevity increases: <table border="1" style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th><u>Age</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr> <td>50</td> <td>1.8%</td> <td>1.7%</td> </tr> <tr> <td>60</td> <td>1.6%</td> <td>0.5%</td> </tr> <tr> <td>70</td> <td>1.5%</td> <td>0.5%</td> </tr> <tr> <td>80</td> <td>1.0%</td> <td>0.7%</td> </tr> </tbody> </table> 	<u>Age</u>	<u>Male</u>	<u>Female</u>	50	1.8%	1.7%	60	1.6%	0.5%	70	1.5%	0.5%	80	1.0%	0.7%
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ACTUARIAL ASSUMPTIONS

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<ul style="list-style-type: none"> ■ Medical Trend 	<table border="0"> <tr> <td>Fiscal Year</td> <td align="center" colspan="4"><u>Increase from Prior Year</u></td> </tr> <tr> <td></td> <td align="center" colspan="2"><u>Non-Medicare</u></td> <td align="center" colspan="2"><u>Medicare</u></td> </tr> <tr> <td><u>Begin</u></td> <td><u>HMO</u></td> <td><u>PPO</u></td> <td><u>HMO</u></td> <td><u>PPO</u></td> </tr> <tr> <td>2010</td> <td align="center" colspan="4">Premiums</td> </tr> <tr> <td>2011</td> <td align="center" colspan="4">Premiums</td> </tr> <tr> <td>2012</td> <td align="center">7.75%</td> <td align="center">8.25%</td> <td align="center">8.00%</td> <td align="center">8.50%</td> </tr> <tr> <td>2013</td> <td align="center">7.10%</td> <td align="center">7.50%</td> <td align="center">7.30%</td> <td align="center">7.70%</td> </tr> <tr> <td>2014</td> <td align="center">6.45%</td> <td align="center">6.75%</td> <td align="center">6.60%</td> <td align="center">6.90%</td> </tr> <tr> <td>2015</td> <td align="center">5.80%</td> <td align="center">6.00%</td> <td align="center">5.90%</td> <td align="center">6.10%</td> </tr> <tr> <td>2016</td> <td align="center">5.15%</td> <td align="center">5.25%</td> <td align="center">5.20%</td> <td align="center">5.30%</td> </tr> <tr> <td>2017+</td> <td align="center">4.50%</td> <td align="center">4.50%</td> <td align="center">4.50%</td> <td align="center">4.50%</td> </tr> </table> <ul style="list-style-type: none"> • 2012 and later PEMHCA premiums adjusted in addition to above trend: <ul style="list-style-type: none"> ➢ Blue Shield: increased 1% for 2012 ➢ PPOs: increased 1% each year for 2012 and 2013 	Fiscal Year	<u>Increase from Prior Year</u>					<u>Non-Medicare</u>		<u>Medicare</u>		<u>Begin</u>	<u>HMO</u>	<u>PPO</u>	<u>HMO</u>	<u>PPO</u>	2010	Premiums				2011	Premiums				2012	7.75%	8.25%	8.00%	8.50%	2013	7.10%	7.50%	7.30%	7.70%	2014	6.45%	6.75%	6.60%	6.90%	2015	5.80%	6.00%	5.90%	6.10%	2016	5.15%	5.25%	5.20%	5.30%	2017+	4.50%	4.50%	4.50%	4.50%	<table border="0"> <tr> <td>Fiscal Year</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><u>Begin</u></td> <td align="center" colspan="2"><u>All Plans</u></td> </tr> <tr> <td>2010</td> <td align="center" colspan="2">n/a</td> </tr> <tr> <td>2011</td> <td align="center" colspan="2">Premiums</td> </tr> <tr> <td>2012</td> <td align="center" colspan="2">Premiums</td> </tr> <tr> <td>2013</td> <td align="center">9.0%</td> <td align="center">9.4%</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>	Fiscal Year	<u>Increase from Prior Year</u>			<u>Non-Medicare</u>	<u>Medicare</u>	<u>Begin</u>	<u>All Plans</u>		2010	n/a		2011	Premiums		2012	Premiums		2013	9.0%	9.4%	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%
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ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation
■ Participation at Retirement	<ul style="list-style-type: none"> • 100% • Participation in PEMHCA based on current election • Surviving spouses - 100% 	<ul style="list-style-type: none"> • 100% • 67% in PEMHCA at retirement • Surviving spouses - 100%
■ Waived & Non-PEMHCA Retiree Election	<ul style="list-style-type: none"> • Currently < 65: <ul style="list-style-type: none"> ➢ 20% elect PEMHCA plan at 65 ➢ 80% elect non-PEMHCA plan at 65 • Currently ≥ 65: <ul style="list-style-type: none"> ➢ 0% elect to participate at any time in future 	<ul style="list-style-type: none"> • Currently < 65: <ul style="list-style-type: none"> ➢ Non-PEMHCA participants - 20% elect PEMHCA plan at age 65 ➢ Waived - 50% elect PEMHCA plan at age 65 and receive the maximum City contribution • Currently ≥ 65 - 0%
■ Medical Plan at Retirement	<ul style="list-style-type: none"> • Weighted premium based on current retiree election before and after Medicare eligibility 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	January 1, 2010 Valuation	June 30, 2011 Valuation
■ Medicare Eligibility	<ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • All Medicare eligibles will elect Part B coverage 	<ul style="list-style-type: none"> • Same
■ Marital Status at Retirement	<ul style="list-style-type: none"> • Covered – based on current coverage election • Waived – 80% married 	<ul style="list-style-type: none"> • Same
■ 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 available 	<ul style="list-style-type: none"> • Same

ACTUARIAL METHODS

Method	June 30, 2011 Valuation
■ Cost Method	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll
■ Plan Assets	<ul style="list-style-type: none"> • Investment gains and losses spread over a 5-year rolling period • Not less than 80% nor more than 120% of market value
■ Amortization Method	<ul style="list-style-type: none"> • Level percent of payroll
■ Amortization Period	<ul style="list-style-type: none"> • 30-year fixed (closed) period for 2008/09 ARC • 26-year fixed (closed) period for projected 6/30/12 UAAL for 2012/13 ARC • Amortization period decreases by one year each fiscal year • When amortization period reaches 15 years, new gains and losses will be amortized over a rolling (open) 15-year period and plan and assumption changes will be amortized over fixed (closed) 20-year periods

ACTUARIAL METHODS

Method	June 30, 2011 Valuation
■ Implied Subsidy	<ul style="list-style-type: none"> • Employer cost for allowing non-Medicare eligible retirees to participate at active rates • Community rated plans are not required to value an implied subsidy if active rates are independent of number of retirees • PEMHCA is a community rated plan for most employers • Valuation does not include an implied subsidy
■ Future New Entrants	<ul style="list-style-type: none"> • Valuation Results – Closed group, no new hires • Projections – Simplified open group projection: <ul style="list-style-type: none"> ➢ Actives - Total pay increased in accordance with aggregate payroll assumption ➢ Retirees - no additional retirees from new hires over 10-year projection period

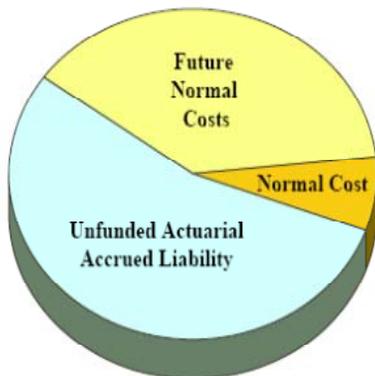
DEFINITIONS

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

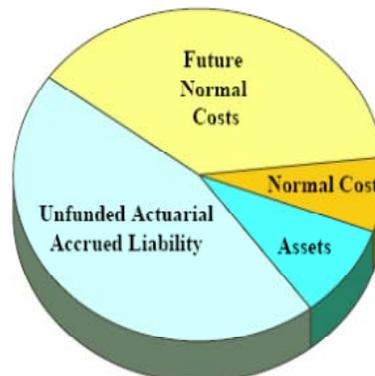
DEFINITIONS

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>	<ul style="list-style-type: none">● GASB 45 contribution is Normal Cost plus amortization of:<ul style="list-style-type: none">➢ Initial UAAL and AAL for plan, assumption, and method changes➢ Experience gains and losses (difference between actual experience and that expected from assumptions)➢ Contribution gains and losses (difference between ARC and actual contributions)
<p>■ Net OPEB Obligation (NOO)</p>	<ul style="list-style-type: none">● NOO is accumulated amounts expensed but not funded● Net OPEB Asset if amounts funded exceed those expensed
<p>■ Annual OPEB Cost (AOC)</p>	<ul style="list-style-type: none">● Expense for current period including:<ul style="list-style-type: none">➢ ARC➢ Interest on NOO➢ Adjustment of NOO● Adjustment of NOO prevents double counting of expense since ARCs include amortization of prior contribution gains and losses previously expensed