



**CITY OF MORENO VALLEY
RETIREE HEALTHCARE PLAN**

June 30, 2015 Actuarial Valuation
Final Results

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BENEFIT SUMMARY

<p>■ Eligibility</p>	<ul style="list-style-type: none"> • Retire directly from City under CalPERS (service or disability) • Full-time, City Council, part-time, and grant employees eligible if participating in CalPERS • Temporary, crossing guards, and seasonal employees not eligible unless participating in PEMHCA 								
<p>■ Retiree Healthcare Benefit</p>	<ul style="list-style-type: none"> • PEMHCA minimum amount for retirees participating in PEMHCA - \$122/month for 2015 and \$125/month for 2016 • Additional \$318.73 per month for medical, dental, and vision <ul style="list-style-type: none"> - Full-time employees hired and City Council elected before 9/30/11 - Total subsidy not greater than premium for retiree & spouse - Coverage under any medical plan <table style="margin-left: 40px; border: none;"> <tr> <td style="padding-right: 20px;"><u>Employee Group</u></td> <td><u>Required Full-Time City Service</u></td> </tr> <tr> <td>Management</td> <td>5 years</td> </tr> <tr> <td>Non-Management</td> <td>Hired < 7/1/09 - 5 years</td> </tr> <tr> <td></td> <td>Hired ≥ 7/1/09 - 10 years</td> </tr> </table> <ul style="list-style-type: none"> • 6 PEMHCA retirees, 1 non-PEMHCA retiree, and 1 waived retiree are eligible for cash subsidies greater than \$318.73 	<u>Employee Group</u>	<u>Required Full-Time 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 Full-Time 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 • PEMHCA and non-PEMHCA participants
<p>■ PEMHCA Administration Fee</p>	<ul style="list-style-type: none"> • 0.34% of retiree premium for 2014/15 • Paid by City and included with GASB 45 costs
<p>■ Other OPEB</p>	<ul style="list-style-type: none"> • No City contribution for life insurance or Medicare Part B premium
<p>■ Implied Subsidy</p>	<ul style="list-style-type: none"> • Retirees pay blended medical premiums rather than expected medical costs by age and gender • Active premiums subsidize non-Medicare eligible retiree medical costs (“implied subsidy”) • Implied subsidy required by Actuarial Standards of Practice for actuarial valuations after 3/31/15 • Implied subsidy estimate included with valuation results

FUNDING POLICY

■ Funding Policy

- Contribute full ARC less \$450,000 plus successor agency contributions with CERBT #1 for fiscal years 2011/12, 2012/13, and 2013/14
- Contribute \$650,000 plus successor agency contributions for 2014/15
- Contribute full cash subsidy ARC with CERBT #1 beginning with 2015/16¹
- Cash benefit payments made from OPEB trust
- Implied subsidy benefit payments made from City assets
- Full cash and implied subsidy pre-funding shown as sensitivity
- Unfunded Liability amortized over 22 years for 2016/17

¹ The City needs to establish a history of following a full ARC contribution policy to continue using a discount rate representative of full ARC funding.

FUNDING POLICY

■ City Contributions ('000s)

<u>Fiscal Year</u>	<u>City PayGo</u>	<u>CERBT Prefund</u>	<u>Total Contrib</u>	<u>ARC</u>
2014/15	\$0	\$ 664	\$ 664	\$ 902
2013/14	0	633	633	1,069
2012/13	0	574	574	1,018
2011/12	0	1,165	1,165	1,615

■ Pay-As-You-Go Cost ('000s)

<u>Fiscal Year</u>	<u>City PayGo</u>	<u>CERBT PayGo</u>	<u>Total PayGo</u>	
2014/15	\$0	\$566	\$566	City Estimate
2013/14	0	522	522	
2012/13	0	464	464	
2011/12	0	438	438	

PARTICIPANT SUMMARY

Participants

Participants	6/30/11	6/30/13	1/1/15 ²
■ Actives			
• Participating	193 65%	175 62%	180 62%
• Waived Coverage	<u>104</u> <u>35%</u>	<u>108</u> <u>38%</u>	<u>108</u> <u>38%</u>
• Total Actives	297 100%	283 100%	288 100%
• Average Age	47.0	47.9	47.1
• Average City Service	9.7	11.0	10.5
• Average Pay (Excluding Council)	\$68,881	\$67,454	\$62,735
• Total Payroll (000's)	20,251	18,815	17,919
■ Retirees			
• Participating	100 83%	119 80%	130 73%
• Waived Coverage	<u>21</u> <u>17%</u>	<u>29</u> <u>20%</u>	<u>48</u> <u>27%</u>
• Total Retirees	121 100%	148 100%	178 100%
• Average Age	64.5	65.2	65.7
• Average Service Retirement Age	59.0	58.8	59.0
• Average Disabled Retirement Age	48.2	46.6	46.6
■ Retirees/Actives	41%	52%	62%

² 6/30/15 valuation used 1/1/15 census data.

PARTICIPANT SUMMARY

Active Employee Data

Active Employees	6/30/13	1/1/15
■ Eligible for OPEB³		
• Full-Time	277	262
• City Council	5	3
• Part-Time	1 ⁴	15
• Grant	<u>0</u>	<u>8</u>
• Total Eligible	283	288 ⁵
■ Not Eligible for OPEB		
• Temporary	19	15
• Crossing Guards	17	15
• Part-Time	11	0
• Grant	9	0
• Seasonal	<u>0</u>	<u>0</u>
• Total Not Eligible	56	30
■ Total Actives	339	318

³ Eligibility determined by City.

⁴ Had more than 5 years of service as a full-time employee before classified as a part-time employee.

⁵ 237 hired before 9/30/11 and 51 hired on or after 9/30/11.

PARTICIPANT SUMMARY

Participant Reconciliation

Eligible Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2013	283	133	6	9	148
• Terminations ⁶	(26)	-	-	-	-
• Covered Retirees & Survivors	(18)	18	0	0	18
• Waived Retirees & Survivors	(12)	12	0	0	12
• Retiree Deaths with Survivor	-	(1)	(0)	1	-
• Retiree Deaths without Survivor ⁷	-	(3)	(0)	-	(3)
• Temporary to Full-time	4	-	-	-	-
• New Participants	35	-	-	-	-
• Part-time & Grant Participants	22	-	-	-	-
• New Retiree Data Corrections	-	3	0	0	3
■ January 1, 2015	288	162	6	10	178

⁶ Active employees reported as of 6/30/13 and not reported as of 1/1/15 were assumed to be terminations and deaths before retirement. Includes 13 terminations reported by the City included as active with the 1/1/15 CalPERS data extract.

⁷ Retirees reported as of 6/30/13 and not reported as of 1/1/15 were assumed to be deaths without covered survivors.

ASSETS

CERBT Contributions

(Amounts in 000's)

CERBT Contribution	2011/12	2012/13	2013/14	2014/15
■ City Contributions	1,165	568	619	650
■ Successor Agency Contributions	<u>0</u>	<u>6</u>	<u>14</u>	<u>14</u>
■ Total Contributions	1,165	574	633	664

ASSETS

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2011/12	2012/13	2013/14	2014/15 ⁸
■ Market Value at Beginning of Year	\$5,006	\$5,754	\$6,576	\$7,983
• CERBT Contributions	1,165	574	633	664
• Investment Earnings	26	723	1,307	241
• Accrued Benefit Payments	(438)	(464)	(522)	(566)
• Administrative Expenses	(6)	(10)	(11)	(7)
■ Market Value at End of Year	5,754	6,576	7,983	8,315
■ Estimated Net Annual Return⁹	0.4%	11.4%	18.1%	2.7%
■ CERBT #1 Net Annual Return	0.15%	11.8%	18.5%	n/a ¹⁰

⁸ 3/31/15 assets projected to 6/30/15 with 1.58% CERBT return for April 2015, -0.33% CERBT return for May 2015, and 0.58% assumed return for June 2016 (7.25% annualized return). Administrative expenses are through 3/31/15.

⁹ Includes the impact of cash flow timing.

¹⁰ 2.08% through 5/31/15.

ASSETS

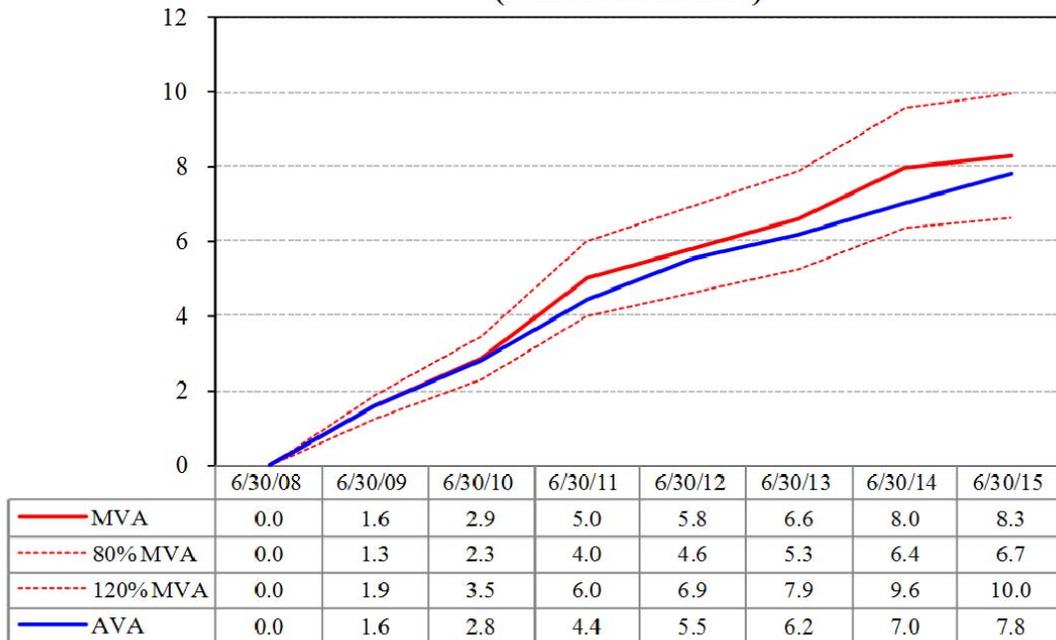
Actuarial Value of Plan Assets

(Amounts in 000's)

Actuarial Value of Assets	2011/12	2012/13	2013/14	2014/15
■ Actuarial Value at Beginning of Year	\$4,428	\$5,540	\$6,186	\$7,027
• Contributions	1,165	574	633	664
• Expected Net Earnings	331	438	492	553
• Benefit Payments	(438)	(464)	(522)	(566)
■ Expected AVA at End of Year	5,487	6,088	6,788	7,678
• Market Value at End of Year	5,754	6,576	7,983	8,315
• MVA - Expected AVA	267	488	1,195	637
• 1/5 of (MVA - Expected AVA)	53	98	239	127
• Preliminary AVA	5,540	6,186	7,027	7,805
• Minimum AVA (80% of MVA)	4,603	5,261	6,386	6,652
• Maximum AVA (120% of MVA)	6,905	7,892	9,579	9,978
■ Actuarial Value at End of Year	5,540	6,186	7,027	7,805
■ Actuarial Value Estimated Net Return	8.4%	8.9%	10.8%	8.9%
■ AVA / MVA	96%	94%	88%	94%

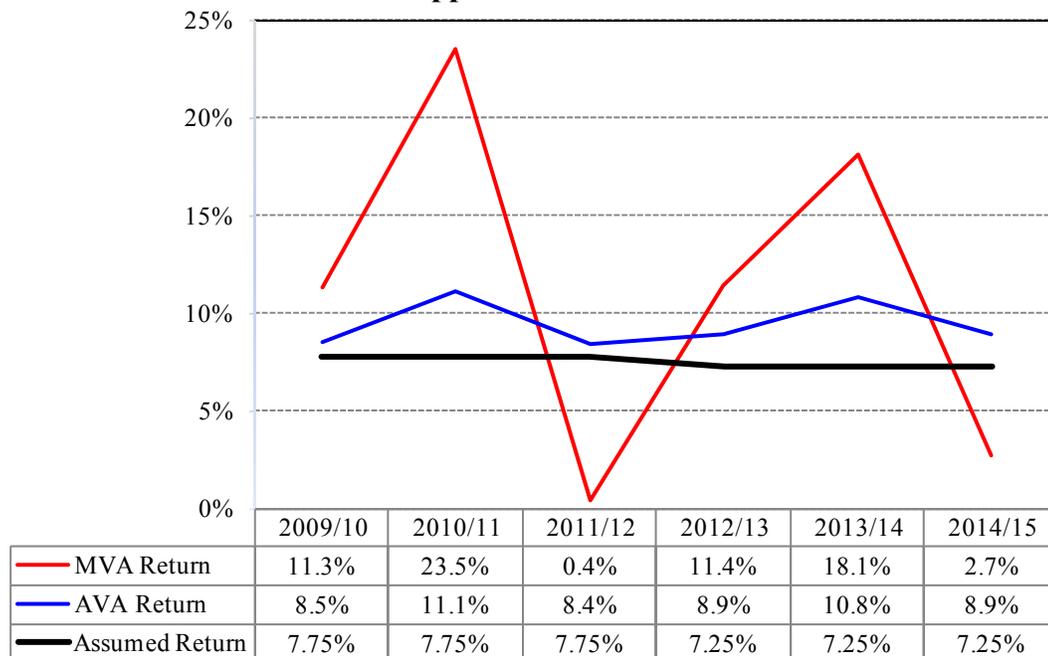
ASSETS

Actuarial Value of Assets (Millions of Dollars)



ASSETS

Approximate Return on Assets



FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	<u>6/30/13 Valuation</u>		<u>6/30/15 Valuation</u>		
	Actual 6/30/13	Projected 6/30/15	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17
■ Discount Rate (Cash Sub)	S&U	7.25%	7.25%	7.25%	7.25%
■ Discount Rate (Implied Sub)	n/a	n/a	4.00%	4.00%	4.00%
■ Present Value of Benefits					
• Actives	\$8,540	n/a	\$14,297	n/a	n/a
• Retirees	<u>6,948</u>	<u>n/a</u>	<u>9,548</u>	<u>n/a</u>	<u>n/a</u>
• Total	15,488	\$16,401	23,845	\$24,371	\$24,868
■ Actuarial Accrued Liability					
• Actives	5,583	n/a	8,600	n/a	n/a
• Retirees	<u>6,948</u>	<u>n/a</u>	<u>9,548</u>	<u>n/a</u>	<u>n/a</u>
• Total	12,531	14,022	18,148	19,143	20,141
■ Actuarial Value of Assets	<u>6,186</u>	<u>7,631</u>	<u>7,805</u>	<u>8,769</u>	<u>9,646</u>
■ Unfunded AAL	6,345	6,391	10,343	10,374	10,495
■ Funded Percentage	49%	54%	43%	46%	48%
■ Normal Cost	476	465	785	791	798

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Actuarial Obligations

June 30, 2015

Actuarial Obligations (Amounts in 000's)	Cash Subsidy	Implied Subsidy	City Cost
■ Discount Rate	7.25%	4.00%	6.50% ¹¹
■ Present Value of Benefits			
• Actives	\$8,363	\$5,934	\$14,297
• Retirees	<u>7,762</u>	<u>1,786</u>	<u>9,548</u>
• Total	16,125	7,720	23,845
■ Actuarial Accrued Liability			
• Actives	5,635	2,965	8,600
• Retirees	<u>7,762</u>	<u>1,786</u>	<u>9,548</u>
• Total	13,397	4,751	18,148
■ Actuarial Value of Assets	<u>7,805</u>	<u>0</u>	<u>7,805</u>
■ Unfunded Actuarial Accrued Liability	5,592	4,751	10,343
■ Normal Cost (2016/17)	442	349	791
■ Est Pay-As-You-Go Cost (2016/17)	655	336	991

¹¹ Single equivalent discount rate.

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	6/30/13 Valuation		6/30/15 Valuation	
	2014/15	2015/16	2016/17	2017/18
■ Discount Rate (Cash Subsidy)	7.25%	7.25%	7.25%	7.25%
■ Discount Rate (Implied Subsidy)	n/a	n/a	4.00%	4.00%
■ ARC - \$				
• Normal Cost	\$472	\$465	\$ 791	\$ 798
• UAAL Amortization	<u>430</u>	<u>439</u>	<u>635</u>	<u>663</u>
• Total ARC	902	904	1,426	1,461
■ Projected Payroll ¹²	19,426	20,058	18,501	19,103
■ ARC - %				
• Normal Cost	2.4%	2.3%	4.3%	4.2%
• UAAL Amortization	<u>2.2%</u>	<u>2.2%</u>	<u>3.4%</u>	<u>3.5%</u>
• Total ARC %	4.6%	4.5%	7.7%	7.6%
■ UAAL Amortization Years	24	23	22	21

¹² Reported payroll increased 1 year using the aggregate payroll increase assumption of 3.25% per year.

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Annual Required Contribution (ARC)

2016/17 Fiscal Year

(Amounts in 000's)

Annual Required Contribution	Cash Subsidy	Implied Subsidy	City Cost
■ Discount Rate	7.25%	4.00%	6.50% ¹³
■ ARC - \$			
• Normal Cost	\$442	\$349	\$791
• UAAL Amortization	<u>383</u>	<u>252</u>	<u>635</u>
• Total ARC	825	601	1,426
■ Projected Payroll	18,501	18,501	18,501
■ ARC - %			
• Normal Cost	2.4%	1.9%	4.3%
• UAAL Amortization	<u>2.1%</u>	<u>1.4%</u>	<u>3.4%</u>
• Total ARC	4.5%	3.2%	7.7%

¹³ Single equivalent discount rate.

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	NC%	AAL	(AVA)	UAAL
■ 6/30/13 Actual	2.4%	\$12,531	\$(6,186)	\$6,345
■ 6/30/15 Projected	2.2%	14,022	(7,631)	6,391
■ Experience Losses (Gains)				
• Actual vs expected PEMHCA minimum	(0.0%)	(174)	-	(174)
• Contribution loss (gain)	-	-	223	223
• Investment loss (gain)	-	-	(352)	(352)
• Demographic & other	0.2%	(364)	(44)	(408)
■ Assumption Changes				
• Mortality improvement	(0.0%)	(81)	-	(81)
• PEMHCA administration fee	(0.0%)	(5)	-	(5)
■ Implied Subsidy	1.9%	4,751	-	4,751
■ Total Changes	2.1%	4,127	(174)	3,954
■ 6/30/15 Actual	4.3%	18,148	(7,805)	10,343

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	<u>Cash Subsidy</u>			Implied Subsidy	Total Payments
	Current Actives	Current Retirees	Total Payments		
2015/16	\$33	\$560	\$593	\$331	\$924
2016/17	91	564	655	336	991
2017/18	152	580	732	372	1,104
2018/19	212	596	808	392	1,200
2019/20	270	604	874	419	1,293
2020/21	330	611	941	459	1,400
2021/22	388	618	1,006	439	1,445
2022/23	446	626	1,072	487	1,559
2023/24	499	632	1,131	459	1,590
2024/25	551	635	1,186	440	1,626
2025/26	601	636	1,237	462	1,699

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Estimated Net OPEB Obligation (NOO) Projection

(Amounts in 000's)

Estimated Net OPEB Obligation	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
■ Discount Rate	7.25%	7.25%	6.50%	6.50%
■ NOO at Beginning of Year	\$1,347	\$1,593	\$1,599	\$1,863
■ Annual OPEB Cost				
• Annual Required Contribution	902	904	1,426	1,461
• Interest on NOO	98	115	104	121
• NOO Adjustment	<u>(90)</u>	<u>(109)</u>	<u>(105)</u>	<u>(127)</u>
• Annual OPEB Cost	910	910	1,425	1,455
■ Contributions				
• Cash Benefit Payments Outside Trust	0	0	0	0
• Implied Subsidy Payments Outside Trust	0	0	336	372
• Trust Funding	<u>664</u>	<u>904</u>	<u>825</u>	<u>826</u>
• Total Contributions	664	904	1,161	1,198
■ NOO at End of Year	1,593	1,599	1,863	2,120
■ NOO Amortization Years	24	23	22	21
■ NOO Amortization Factor	14.96	14.57	15.21	14.72

FINAL RESULTS - NO IMPLIED SUBSIDY PREFUNDING

Funding Projection

(Amounts in 000's)

Fiscal Year End	Begin Year NOO	ARC	AOC	City Contribution			Payroll	ARC % of Pay	Begin Year UAAL	Begin Year Fund %
				City Benefit Pmts	Trust Pre Fund	Total City Contr				
2017	\$1,599	\$1,426	\$1,425	\$336	\$825	\$1,161	\$18,501	7.7%	\$10,373	46%
2018	1,863	1,461	1,455	372	826	1,198	19,103	7.6%	10,495	48%
2019	2,120	1,497	1,486	392	828	1,220	19,723	7.6%	10,600	50%
2020	2,385	1,538	1,519	419	832	1,251	20,365	7.6%	10,703	51%
2021	2,653	1,583	1,554	459	837	1,296	21,026	7.5%	10,795	53%
2022	2,911	1,631	1,589	439	842	1,281	21,710	7.5%	10,859	54%
2023	3,219	1,687	1,628	487	849	1,336	22,415	7.5%	10,954	56%
2024	3,511	1,747	1,668	459	857	1,316	23,144	7.5%	11,010	57%
2025	3,863	1,816	1,868	440	867	1,307	23,896	7.6%	11,102	58%
2026	4,424	1,892	1,960	462	878	1,340	24,673	7.7%	11,221	59%

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	<u>6/30/13 Valuation</u>		<u>6/30/15 Valuation</u>		
	Actual 6/30/13	Projected 6/30/15	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17
■ Discount Rate (Cash Sub)	S&U	7.25%	7.25%	7.25%	7.25%
■ Discount Rate (Implied Sub)	n/a	n/a	7.25%	7.25%	7.25%
■ Present Value of Benefits					
• Actives	\$8,540	n/a	\$12,126	n/a	n/a
• Retirees	<u>6,948</u>	<u>n/a</u>	<u>9,352</u>	<u>n/a</u>	<u>n/a</u>
• Total	15,488	\$16,401	21,478	\$22,078	\$22,653
■ Actuarial Accrued Liability					
• Actives	5,583	n/a	7,881	n/a	n/a
• Retirees	<u>6,948</u>	<u>n/a</u>	<u>9,352</u>	<u>n/a</u>	<u>n/a</u>
• Total	12,531	14,022	17,233	18,199	19,168
■ Actuarial Value of Assets	<u>6,186</u>	<u>7,631</u>	<u>7,805</u>	<u>8,769</u>	<u>9,813</u>
■ Unfunded AAL	6,345	6,391	9,428	9,430	9,354
■ Funded Percentage	49%	54%	45%	48%	51%
■ Normal Cost	476	465	674	676	679

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Actuarial Obligations

June 30, 2015

Actuarial Obligations (Amounts in 000's)	Cash Subsidy	Implied Subsidy	City Cost
■ Discount Rate	7.25%	7.25%	7.25%
■ Present Value of Benefits			
• Actives	\$8,363	\$3,763	\$12,126
• Retirees	<u>7,762</u>	<u>1,590</u>	<u>9,352</u>
• Total	16,125	5,353	21,478
■ Actuarial Accrued Liability			
• Actives	5,635	2,246	7,881
• Retirees	<u>7,762</u>	<u>1,590</u>	<u>9,352</u>
• Total	13,397	3,836	17,233
■ Actuarial Value of Assets	<u>7,805</u>	<u>0</u>	<u>7,805</u>
■ Unfunded Actuarial Accrued Liability	5,592	3,836	9,428
■ Normal Cost (2016/17)	442	234	676
■ Est Pay-As-You-Go Cost (2016/17)	655	336	991

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	<u>6/30/13 Valuation</u>		<u>6/30/15 Valuation</u>	
	2014/15	2015/16	2016/17	2017/18
■ Discount Rate (Cash Subsidy)	7.25%	7.25%	7.25%	7.25%
■ Discount Rate (Implied Subsidy)	n/a	n/a	7.25%	7.25%
■ ARC - \$				
• Normal Cost	\$472	\$465	\$ 676	\$ 679
• UAAL Amortization	<u>430</u>	<u>439</u>	<u>666</u>	<u>680</u>
• Total ARC	902	904	1,341	1,359
■ Projected Payroll ¹⁴	19,426	20,058	18,501	19,103
■ ARC - %				
• Normal Cost	2.4%	2.3%	3.7%	3.6%
• UAAL Amortization	<u>2.2%</u>	<u>2.2%</u>	<u>3.6%</u>	<u>3.6%</u>
• Total ARC %	4.6%	4.5%	7.2%	7.1%
■ UAAL Amortization Years	24	23	22	21

¹⁴ Reported payroll increased 1 year using the aggregate payroll increase assumption of 3.25% per year.

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Annual Required Contribution (ARC)

2016/17 Fiscal Year

(Amounts in 000's)

Annual Required Contribution	Cash Subsidy	Implied Subsidy	City Cost
■ Discount Rate	7.25%	7.25%	7.25%
■ ARC - \$			
• Normal Cost	\$442	\$234	\$ 676
• UAAL Amortization	<u>383</u>	<u>282</u>	<u>666</u>
• Total ARC	825	516	1,341
■ Projected Payroll	18,501	18,501	18,501
■ ARC - %			
• Normal Cost	2.4%	1.3%	3.7%
• UAAL Amortization	<u>2.1%</u>	<u>1.5%</u>	<u>3.6%</u>
• Total ARC	4.5%	2.8%	7.2%

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	NC%	AAL	(AVA)	UAAL
■ 6/30/13 Actual	2.4%	\$12,531	\$(6,186)	\$6,345
■ 6/30/15 Projected	2.2%	14,022	(7,631)	6,391
■ Experience Losses (Gains)				
• Actual vs expected PEMHCA minimum	(0.0%)	(174)	-	(174)
• Contribution loss (gain)	-	-	223	223
• Investment loss (gain)	-	-	(352)	(352)
• Demographic & other	0.2%	(364)	(44)	(408)
■ Assumption Changes				
• Mortality improvement	(0.0%)	(81)	-	(81)
• PEMHCA administration fee	(0.0%)	(5)	-	(5)
■ Implied Subsidy	1.3%	3,836	-	3,836
■ Total Changes	1.5%	3,212	(174)	3,038
■ 6/30/15 Actual	3.7%	17,233	(7,805)	9,428

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	<u>Cash Subsidy</u>			Implied Subsidy	Total Payments
	Current Actives	Current Retirees	Total Payments		
2015/16	\$33	\$560	\$593	\$331	\$924
2016/17	91	564	655	336	991
2017/18	152	580	732	372	1,104
2018/19	212	596	808	392	1,200
2019/20	270	604	874	419	1,293
2020/21	330	611	941	459	1,400
2021/22	388	618	1,006	439	1,445
2022/23	446	626	1,072	487	1,559
2023/24	499	632	1,131	459	1,590
2024/25	551	635	1,186	440	1,626
2025/26	601	636	1,237	462	1,699

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Estimated Net OPEB Obligation (NOO) Projection

(Amounts in 000's)

Estimated Net OPEB Obligation	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17	Estimate 2017/18
■ Discount Rate	7.25%	7.25%	7.25%	7.25%
■ NOO at Beginning of Year	\$1,347	\$1,593	\$1,599	\$1,603
■ Annual OPEB Cost				
• Annual Required Contribution	902	904	1,341	1,359
• Interest on NOO	98	115	116	116
• NOO Adjustment	<u>(90)</u>	<u>(109)</u>	<u>(113)</u>	<u>(117)</u>
• Annual OPEB Cost	910	910	1,344	1,359
■ Contributions				
• Cash Benefit Payments Outside Trust	0	0	0	0
• Implied Subsidy Payments Outside Trust	0	0	0	0
• Trust Funding	<u>664</u>	<u>904</u>	<u>1,341</u>	<u>1,359</u>
• Total Contributions	664	904	1,341	1,359
■ NOO at End of Year	1,593	1,599	1,603	1,602
■ NOO Amortization Years	24	23	22	21
■ NOO Amortization Factor	14.96	14.57	14.17	13.75

SENSITIVITY RESULTS - IMPLIED SUBSIDY PREFUNDING

Funding Projection

(Amounts in 000's)

Fiscal Year End	Begin Year NOO	ARC	AOC	City Contribution			Payroll	ARC % of Pay	Begin Year UAAL	Begin Year Fund %
				City Benefit Pmts	Trust Pre Fund	Total City Contr				
2017	\$1,599	\$1,341	\$1,344	\$ 0	\$1,341	\$1,341	\$18,501	7.2%	\$9,430	48%
2018	1,603	1,359	1,359	0	1,359	1,359	19,103	7.1%	9,354	51%
2019	1,602	1,378	1,374	0	1,378	1,378	19,723	7.0%	9,272	54%
2020	1,598	1,400	1,391	0	1,400	1,400	20,365	6.9%	9,180	56%
2021	1,590	1,423	1,410	0	1,423	1,423	21,026	6.8%	9,073	58%
2022	1,576	1,448	1,429	0	1,448	1,448	21,710	6.7%	8,948	61%
2023	1,558	1,474	1,450	0	1,474	1,474	22,415	6.6%	8,802	63%
2024	1,534	1,503	1,473	0	1,503	1,503	23,144	6.5%	8,631	65%
2025	1,504	1,533	1,497	0	1,533	1,533	23,896	6.4%	8,432	66%
2026	1,468	1,566	1,521	0	1,566	1,566	24,673	6.3%	8,199	68%

OPEB Accounting Changes

- OPEB Accounting:
 - New GASB statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” approved by GASB Board on June 2, 2015
 - Replaces GASB 45
 - Effective for fiscal years beginning after 6/15/17 (2017/18 for City)
- Major Issues:
 - Net OPEB Liability (UAAL) on balance sheet
 - Expense calculation disconnected from contribution calculation
 - Discount rate is expected trust rate of return when assets sufficient to pay benefits
 - Discount rate is 20-year high-quality municipal bond rate when assets not sufficient
 - Immediate recognition of Total OPEB Liability (AAL) for plan changes
 - Deferred recognition of changes in Total OPEB Liability for gains and losses and assumption changes over average active and inactive average future working lifetime
 - Recognition of investment gains and losses over 5 years
 - Disclosure of asset allocation and expected real rates of return for each asset class
 - Entry age normal cost method
 - Biennial valuations

ACTUARIAL CERTIFICATION

This report presents the City of Moreno Valley Retiree Healthcare Plan (“Plan”) June 30, 2015 actuarial valuation. The purpose of this valuation is to:

- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2015 benefit obligations,
- Determine the Plan’s June 30, 2015 funded status, and
- Calculate the 2016/17 and 2017/18 Annual Required Contributions.

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

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

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

Respectfully submitted,



Joseph R. D’Onofrio, FSA, EA, MAAA, FCA
 Assistant Vice President
 Bartel Associates, LLC
 July 7, 2015



Katherine Moore, ASA, MAAA
 Associate Actuary
 Bartel Associates, LLC
 July 7, 2015

EXHIBITS

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PREMIUMS

2014 PEMHCA Monthly Premiums Other Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$536.99	\$1,073.98	\$1,396.17	\$341.12	\$682.24	\$1,023.36
Anthem HMO Traditional	592.20	1,184.40	1,539.72	341.12	682.24	1,023.36
Blue Shield Access+	543.21	1,086.42	1,412.35	298.21	596.42	894.63
Blue Shield NetValue	457.17	914.34	1,188.64	298.21	596.42	894.63
Health Net Salud y Más	489.82	979.64	1,273.53	261.24	522.48	783.72
Health Net SmartCare	568.51	1,137.02	1,478.13	261.24	522.48	783.72
Kaiser	602.79	1,205.58	1,567.25	294.97	589.94	884.91
Sharp	538.59	1,077.18	1,400.33	306.51	613.02	919.53
UnitedHealthcare	521.01	1,042.02	1,354.63	193.33	386.66	579.99
PERS Choice	612.25	1,224.50	1,591.85	307.23	614.46	921.69
PERS Select	586.32	1,172.64	1,524.43	307.23	614.46	921.69
PERSCare	638.22	1,276.44	1,659.37	327.36	654.72	982.08

PREMIUMS

2015 PEMHCA Monthly Premiums
Other Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$653.97	\$1,307.94	\$1,700.32	\$445.38	\$890.76	\$1,336.14
Anthem HMO Traditional	743.12	1,486.24	1,932.11	445.38	890.76	1,336.14
Blue Shield Access+	598.66	1,197.32	1,556.56	352.63	705.26	1,057.89
Blue Shield NetValue	561.09	1,122.18	1,458.83	352.63	705.26	1,057.89
Health Net Salud y Más	520.59	1,041.18	1,353.53	276.85	553.70	830.55
Health Net SmartCare	579.88	1,159.76	1,507.69	276.85	553.70	830.55
Kaiser	579.80	1,159.60	1,507.48	295.51	591.02	886.53
Sharp	564.57	1,129.14	1,467.88	327.66	655.32	982.98
UnitedHealthcare	449.10	898.20	1,167.67	267.41	678.94	1,018.41
PERS Choice	594.40	1,188.80	1,545.44	339.47	678.94	1,018.41
PERS Select	585.58	1,171.16	1,522.51	339.47	678.94	1,018.41
PERSCare	657.32	1,314.64	1,709.03	368.76	737.52	1,106.28

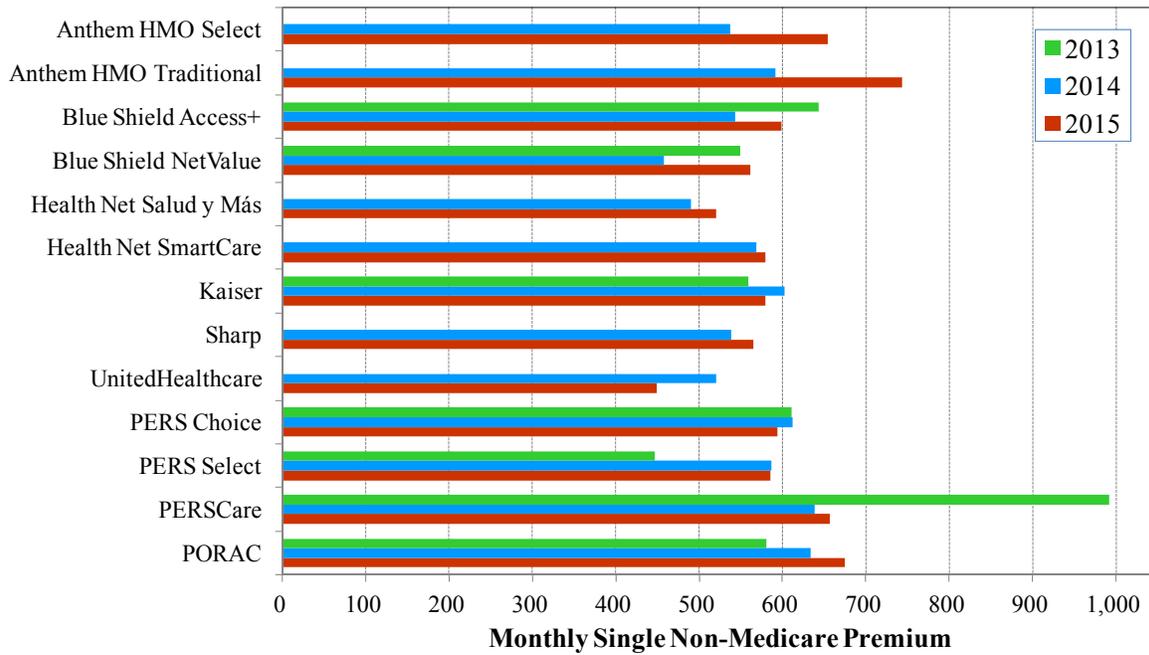
PREMIUMS

PEMHCA Monthly Premium Increases
Other Southern California - 2014 to 2015

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	21.8%	30.6%	8.0%	8.3%
Anthem HMO Traditional	25.5%	30.6%	8.0%	8.3%
Blue Shield Access+	10.2%	18.2%	8.0%	8.3%
Blue Shield NetValue	22.7%	18.2%	8.0%	8.3%
Health Net Salud y Más	6.3%	6.0%	8.0%	8.3%
Health Net SmartCare	2.0%	6.0%	8.0%	8.3%
Kaiser	(3.8%)	0.2%	8.0%	8.3%
Sharp	4.8%	6.9%	8.0%	8.3%
UnitedHealthcare	(13.8%)	38.3%	8.0%	8.3%
PERS Choice	(2.9%)	10.5%	8.0%	8.3%
PERS Select	(0.1%)	10.5%	8.0%	8.3%
PERSCare	3.0%	12.6%	8.0%	8.3%

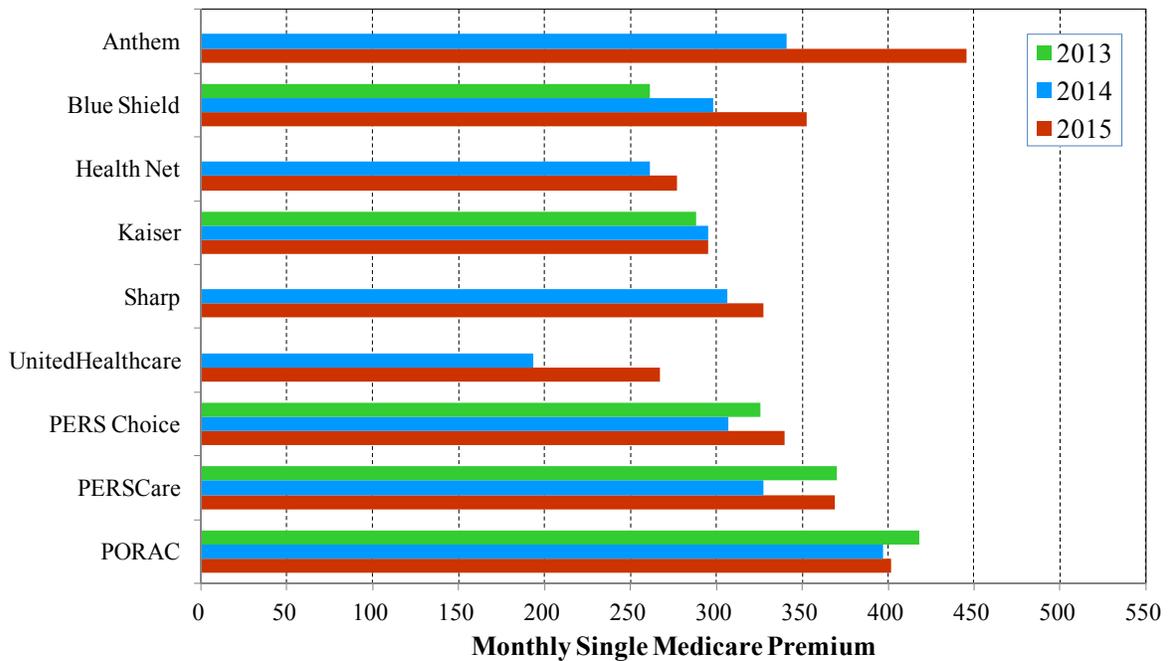
PREMIUMS

**PEMHCA Non-Medicare Eligible Premiums
Other Southern California**



PREMIUMS

**PEMHCA Medicare Eligible Premiums
Other Southern California**



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	June 30, 2013			January 1, 2015		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem HMO Select	n/a	n/a	n/a	0%	3%	0%
Anthem HMO Traditional	n/a	n/a	n/a	1%	1%	0%
Blue Shield Access+	18%	4%	16%	16%	7%	17%
Blue Shield NetValue	19%	24%	4%	22%	23%	2%
Health Net Salud y Más	n/a	n/a	n/a	0%	0%	0%
Health Net SmartCare	n/a	n/a	n/a	1%	0%	0%
Kaiser	55%	16%	22%	45%	18%	19%
UnitedHealthcare	n/a	n/a	n/a	8%	3%	2%
Anthem EPO (North CA)	n/a	n/a	n/a	0%	1%	0%
PERS Choice	6%	18%	11%	5%	14%	15%
PERS Select	1%	4%	0%	1%	1%	0%
PERSCare	1%	0%	9%	1%	0%	7%
Non-PEMHCA Plan	n/a	34%	38%	n/a	29%	38%
Total	100%	100%	100%	100%	100%	100%

PARTICIPANT STATISTICS

Active Medical Coverage
January 1, 2015

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select					0
Anthem HMO Traditional			1		1
Blue Shield Access+	14	6	9		29
Blue Shield NetValue	15	9	17		41
Health Net Salud y Más					0
Health Net SmartCare			1		1
Kaiser	37	19	25		81
UnitedHealthcare	8		6		14
Anthem EPO (North CA)					0
PERS Choice	7	1	1		9
PERS Select	2				2
PERSCare	1	1			2
Total	84	36	60	108	288
Election %	29%	13%	21%	37%	100%

PARTICIPANT STATISTICS

Retiree Medical Coverage
January 1, 2015 - Under Age 65

Medical Plan	Single	2-Party	Family	Non PEMHCA	Waived	Total
Anthem HMO Select	2					2
Anthem HMO Traditional		1				1
Blue Shield Access+	1	4				5
Blue Shield NetValue	12	5	1			18
Health Net Salud y Más						0
Health Net SmartCare						0
Kaiser	8	4	2			14
UnitedHealthcare		1	1			2
Anthem EPO (North CA)		1				1
PERS Choice	6	3	2			11
PERS Select		1				1
PERSCare						0
Non-PEMHCA Plan				22		22
Waived - No Contribution					22	22
Total	29	20	6	22	22	99
Election %	30%	20%	6%	22%	22%	100%

PARTICIPANT STATISTICS

Retiree Medical Coverage
January 1, 2015 - Age 65 & Over

Medical Plan	Single	2-Party	Family	Non PEMHCA	Waived	Total
Anthem HMO Select						0
Anthem HMO Traditional						0
Blue Shield Access+	7	2				9
Blue Shield NetValue		1				1
Health Net Salud y Más						0
Health Net SmartCare						0
Kaiser	3	7				10
UnitedHealthcare		1				1
Anthem EPO (North CA)						0
PERS Choice	5	3				8
PERS Select						0
PERSCare	4					4
Non-PEMHCA Plan				20		20
Waived - No Contribution					26	26
Total	19	14	0	20	26	79
Election %	24%	18%	0%	25%	33%	100%

PARTICIPANT STATISTICS

Retiree Medical Coverage by Year of Retirement
January 1, 2015 - Under Age 65

Retirement Year	PEMHCA Minimum Cap	PEMHCA Minimum + \$318.73 Cap	Non-PEMHCA \$318.73 Cap	Waived Retirees	Total Retirees	PEMHCA Covered Percent	Non PEMHCA Covered Percent	Waived Percent
≤ 2006/07	0	4	4	5	13	31%	31%	38%
2007/08	0	3	0	1	4	75%	0%	25%
2008/09	0	19	5	4	28	68%	18%	14%
2009/10	0	6	2	1	9	67%	22%	11%
2010/11	0	1	0	0	1	100%	0%	0%
2011/12	1	1	3	0	5	40%	60%	0%
2012/13	0	6	3	0	9	67%	33%	0%
2013/14	0	5	4	7	16	31%	25%	44%
2014/15 ¹⁵	0	9	1	4	14	64%	7%	29%
Total	1	54	22	22	99	56%	22%	22%

¹⁵ July 1, 2014 through January 1, 2015.



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PARTICIPANT STATISTICS

Retiree Medical Coverage by Year of Retirement
January 1, 2015 - Age 65 & Over

Retirement Year	PEMHCA Minimum Cap	PEMHCA Minimum + \$318.73 Cap	Non-PEMHCA \$318.73 Cap	Waived Retirees	Total Retirees	PEMHCA Covered Percent	Non PEMHCA Covered Percent	Waived Percent
≤ 2006/07	0	21	9	17	47	45%	19%	36%
2007/08	1	0	1	0	2	50%	50%	0%
2008/09	0	7	5	4	16	44%	31%	25%
2009/10	0	1	2	0	3	33%	67%	0%
2010/11	0	0	0	2	2	0%	0%	100%
2011/12	0	2	0	0	2	100%	0%	0%
2012/13	0	1	2	0	3	33%	67%	0%
2013/14	0	0	1	2	3	0%	33%	67%
2014/15 ¹⁶	0	0	0	1	1	0%	0%	100%
Total	1	32	20	26	79	42%	25%	33%

¹⁶ July 1, 2014 through January 1, 2015.



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PARTICIPANT STATISTICS

New Retiree Medical Coverage

New Retirees	Active Coverage	Retiree Coverage				
		Number Covered	Number Waived	Number Total	Percent Covered	Percent Waived
2013/14 ¹⁷	Covered	7	1	8	88%	12%
	Waived	<u>3</u>	<u>8</u>	<u>11</u>	27%	73%
	Total	10	9	19	53%	47%
2014/15 ¹⁸	Covered	10	1	11	91%	9%
	Waived	<u>0</u>	<u>4</u>	<u>4</u>	0%	100%
	Total	10	5	15	67%	33%
Total	Covered	17	2	19	89%	11%
	Waived	<u>3</u>	<u>12</u>	<u>15</u>	20%	80%
	Total	20	14	34	59%	41%

¹⁷ Includes 1 retiree reported as a 2012/13 retiree in the 6/30/2013 valuation data and 3 retirees reported as retired after 6/30/13 but not reported in the 6/30/13 active data.

¹⁸ July 1, 2014 through January 1, 2015.

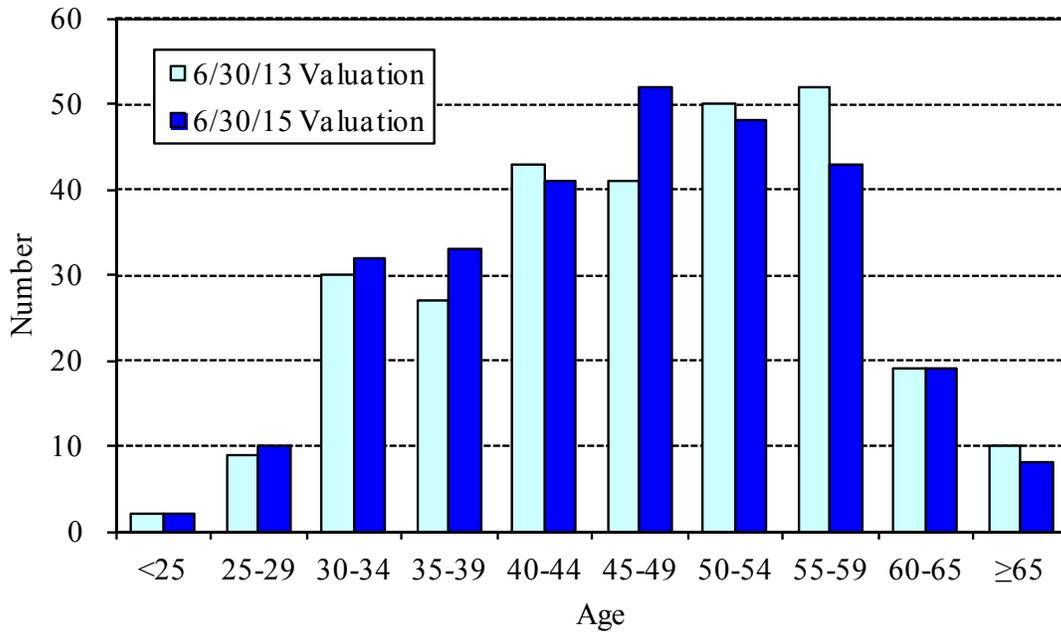
PARTICIPANT STATISTICS

Actives by Age and City Service
January 1, 2015

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	2							2
25-29	2	4	4					10
30-34	2	14	13	3				32
35-39	2	4	14	8	5			33
40-44	2	4	24	9	2			41
45-49	4	8	13	17	7	2	1	52
50-54	2	8	10	14	7	2	5	48
55-59	1	2	8	11	11	4	6	43
60-64		2	3	3	4	4	3	19
≥ 65			2	3	3			8
Total	17	46	91	68	39	12	15	288

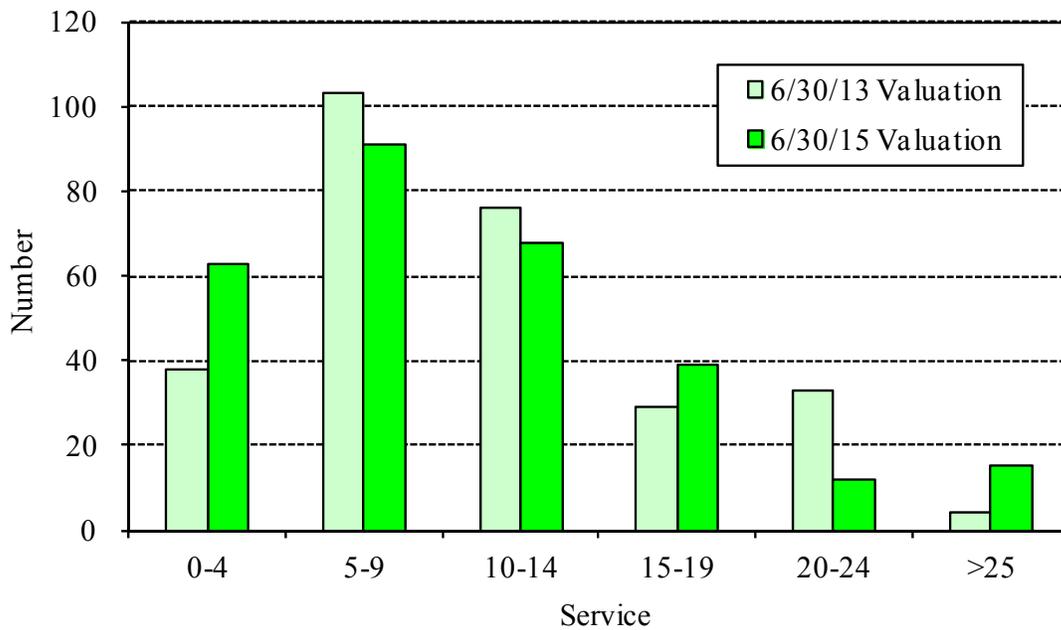
PARTICIPANT STATISTICS

Active Age Distribution



PARTICIPANT STATISTICS

Active Service Distribution



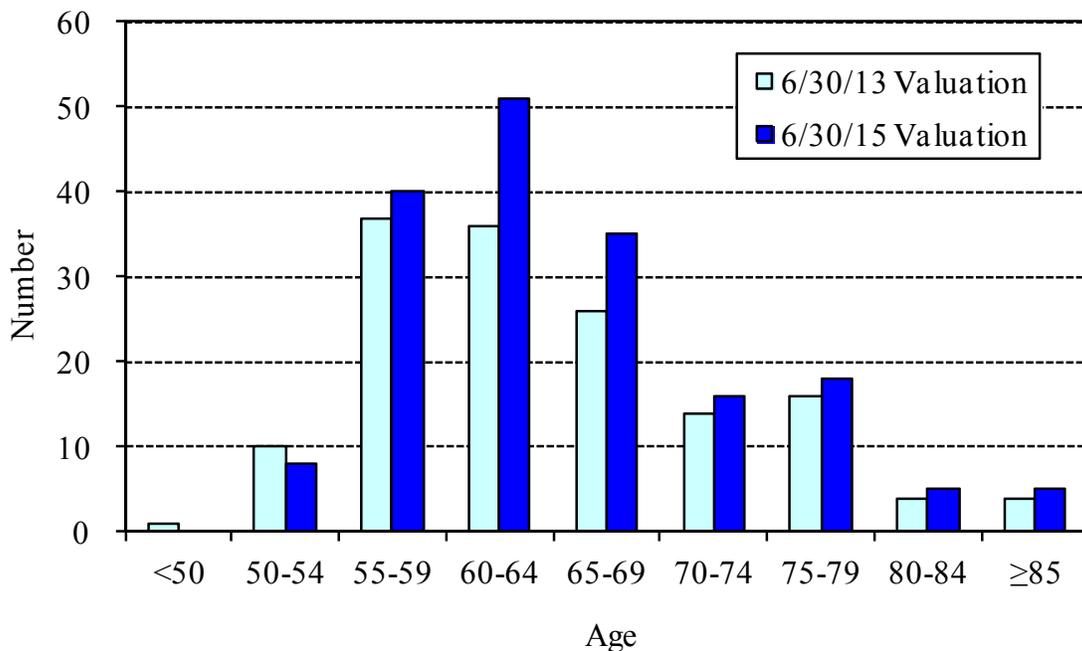
PARTICIPANT STATISTICS

Retiree Medical Coverage by Age Group
January 1, 2015

Age	Single	2-Party	Family	Non PEMHCA	Waived	Total
Under 50						0
50-54	2		1	3	2	8
55-59	16	4	3	7	10	40
60-64	11	16	2	12	10	51
65-69	7	6		12	10	35
70-74	1	4		3	8	16
75-79	6	4		3	5	18
80-84	3			1	1	5
85 & Over	2			1	2	5
Total	48	34	6	42	48	178
Average Age	65.8	65.7	57.9	65.3	66.9	65.7

PARTICIPANT STATISTICS

Retiree Age Distribution



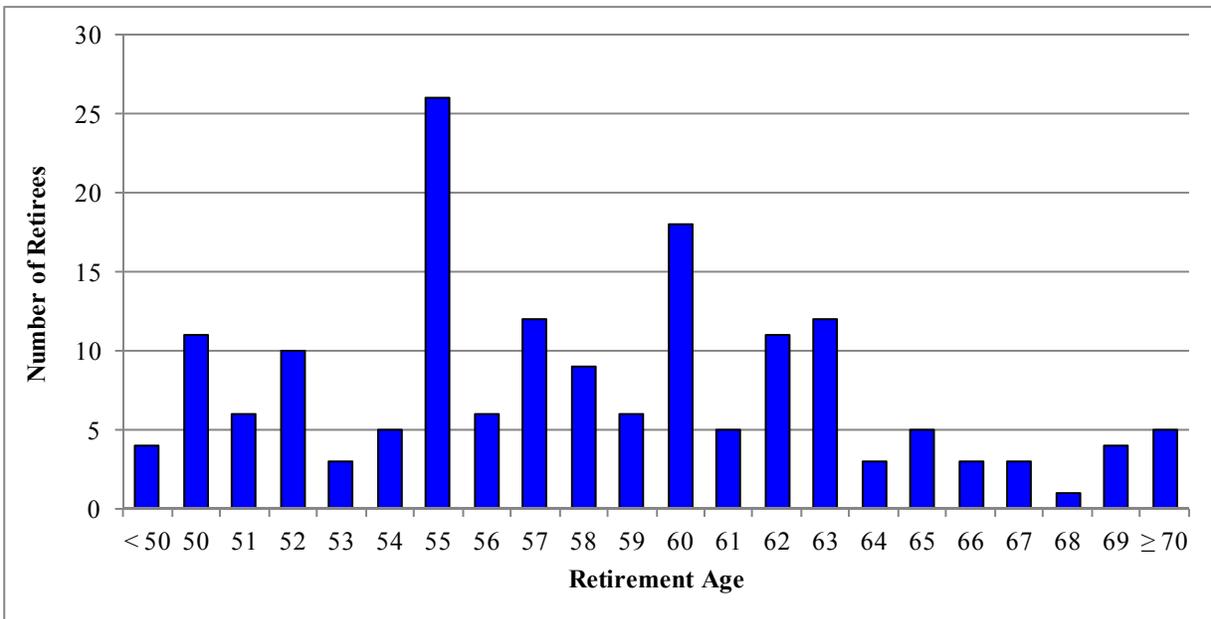
PARTICIPANT STATISTICS

Retirees By Year of Retirement

Retirement Age	Years of CalPERS Service						Total
	<10	10-14	15-19	20-24	25-29	≥ 30	
Under 50	2	2					4
50	2	2	2	3	2		11
51		1	3	2			6
52	3	2	2	2	1		10
53				2		1	3
54	1		3		1		5
55	3	5	7	3	2	6	26
56			3	1		2	6
57	1	1	1	4	3	2	12
58	1	1	1	3	2	1	9
59			2	1		3	6
60	3	5	5	3	1	1	18
61	1	2	1	1			5
62	3	3	1	3		1	11
63	2	5		2	2	1	12
64	1	1		1			3
65	2	2	1				5
66	1	1		1			3
67	2			1			3
68	1						1
69	1	1	1		1		4
70 & Over		4		1			5
Total	30	38	33	34	15	18	168

PARTICIPANT STATISTICS

Retirement Age Distribution¹⁹



¹⁹ Excludes 10 surviving spouses.

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Valuation Date</p>	<ul style="list-style-type: none"> • June 30, 2013 • 2014/15 & 2015/16 ARCs • ARC calculated as of beginning of the year with interest to end of year • 1-year lag period between valuation date and first fiscal year ARC 	<ul style="list-style-type: none"> • June 30, 2015 • 2016/17 & 2017/18 ARCs • ARC calculated as of beginning of the year with interest to end of year • 1-year lag period between valuation date and first fiscal year ARC
<p>■ Funding Policy</p>	<ul style="list-style-type: none"> • Contribute full ARC less \$450,000 with CERBT #1 for 2013/14 • Contribute full ARC with CERBT #1 beginning 2014/15 • Benefit payments made from CERBT 	<ul style="list-style-type: none"> • Contribute full cash ARC with CERBT #1 beginning 2015/16 • Cash benefit payments made from CERBT • Implied subsidy benefit payments made from City assets

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation						
<p>■ Discount Rate</p>	<ul style="list-style-type: none"> • Select and ultimate rates <table border="1" data-bbox="462 1291 836 1417"> <tr> <td><u>Year</u></td> <td><u>Rate</u></td> </tr> <tr> <td>2013/14</td> <td>6.00%</td> </tr> <tr> <td>2014/15+</td> <td>7.25%</td> </tr> </table> • 7.25% ultimate discount rate - ARC prefunded with CERBT Fund #1 • CalPERS' expected long-term net return on assets is 7.61% • Includes 0.36% margin for adverse deviation 	<u>Year</u>	<u>Rate</u>	2013/14	6.00%	2014/15+	7.25%	<ul style="list-style-type: none"> • 7.25% discount rate for cash subsidy ARC prefunded with CERBT Fund #1 (CalPERS' expected long-term net return on assets is 7.28%) • 4.00% discount rate for implied subsidy payments made from City assets • Average equivalent discount rate is 6.50%
<u>Year</u>	<u>Rate</u>							
2013/14	6.00%							
2014/15+	7.25%							
<p>■ General Inflation</p>	<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	June 30, 2013 Valuation	June 30, 2015 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"> • CalPERS 1997-2011 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation
<ul style="list-style-type: none"> ■ PEMHCA Minimum Increases 	<ul style="list-style-type: none"> • 4.5% annually 	<ul style="list-style-type: none"> • Same
<ul style="list-style-type: none"> ■ Additional Cash Subsidy Increases 	<ul style="list-style-type: none"> • \$318.73 per month with no future increases 	<ul style="list-style-type: none"> • Same

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation			June 30, 2015 Valuation		
<ul style="list-style-type: none"> ■ Medical Trend 	Cal Year	<u>Increase from Prior Year</u>		Cal Year	<u>Increase from Prior Year</u>	
		<u>Non-Medicare</u>	<u>Medicare</u>		<u>Non-Medicare</u>	<u>Medicare</u>
	<u>Begin</u>	<u>All Plans</u>		<u>Begin</u>	<u>All Plans</u>	
	2013	Premiums		2013	n/a	
	2014	Premiums		2014	n/a	
	2015	8.0%	8.3%	2015	Premiums	
	2016	7.5%	7.8%	2016	7.5%	7.8%
	2017	7.0%	7.2%	2017	7.0%	7.2%
	2018	6.5%	6.7%	2018	6.5%	6.7%
	2019	6.0%	6.1%	2019	6.0%	6.1%
	2020	5.5%	5.6%	2020	5.5%	5.6%
	2021+	5.0%	5.0%	2021+	5.0%	5.0%
	<ul style="list-style-type: none"> • Used for PEMHCA administration fee 			<ul style="list-style-type: none"> • Used for PEMHCA administration fee and implied subsidy estimate 		

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation						
■ HMO Medical Claims Costs 2015 PEMHCA Implied Subsidy Estimate	• Sample estimated monthly claims costs Other Southern California - Non-Medicare Eligible	<u>BS Access+</u>						
		<u>BS NetValue</u>		<u>Kaiser</u>				
		<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
		25	\$223	\$437	\$225	\$443	\$197	\$386
		35	292	535	295	542	258	473
		45	464	562	470	569	410	496
		55	775	784	785	794	685	693
		60	990	926	1,002	938	875	818
		65	1,251	1,126	1,267	1,140	1,105	995
		70	1,482	1,302	1,501	1,318	1,310	1,150
		75	1,771	1,531	1,794	1,551	1,565	1,353
		80	2,056	1,764	2,082	1,786	1,817	1,559
		Other Southern California - Medicare Eligible						
		<u>BS Access+</u>		<u>BS NetValue</u>		<u>Kaiser</u>		
		<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>Age</u>	<u>M</u>	<u>F</u>
		65	\$347	\$322	\$347	\$322	\$284	\$263
		70	327	312	327	312	267	255
75	409	366	409	366	334	299		
80	438	389	438	389	358	318		

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation						
■ PPO Medical Claims Costs 2015 PEMHCA Implied Subsidy Estimate	• Sample estimated monthly claims costs Other Southern California - NonMedicare Eligible	<u>PERS Choice</u>						
		<u>PERS Select</u>		<u>PERSCare</u>				
		<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
		25	\$188	\$309	\$179	\$294	\$217	\$356
		35	279	429	265	408	322	494
		45	443	486	422	462	511	559
		55	655	634	623	603	755	730
		60	787	728	749	692	907	839
		65	978	879	930	836	1,126	1,013
		70	1,159	1,016	1,102	967	1,335	1,171
		75	1,385	1,196	1,317	1,137	1,595	1,377
		80	1,608	1,377	1,529	1,310	1,852	1,586
		Other Southern California - Medicare Eligible						
		<u>PERS Choice</u>		<u>PERS Select</u>		<u>PERSCare</u>		
		<u>Age</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>	<u>M</u>	<u>F</u>
		65	\$320	\$336	\$320	\$336	\$348	\$364
		70	305	325	305	325	331	353
75	344	358	344	358	374	389		
80	356	369	356	369	387	401		

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																																								
<p>■ Participation at Retirement</p> <p>Current Actives</p>	<ul style="list-style-type: none"> • Hired < 9/30/11 <table border="0" style="margin-left: 20px;"> <tr><td><u>Healthcare Plan</u></td><td></td></tr> <tr><td>PEMHCA</td><td align="right">60%</td></tr> <tr><td>Non-PEMHCA</td><td align="right"><u>30%</u></td></tr> <tr><td>Participating</td><td align="right">90%</td></tr> <tr><td>Waived</td><td align="right"><u>10%</u></td></tr> <tr><td>Total</td><td align="right">100%</td></tr> </table> • Hired ≥ 9/30/11 <table border="0" style="margin-left: 20px;"> <tr><td><u>Healthcare Plan</u></td><td></td></tr> <tr><td>PEMHCA</td><td align="right">70%</td></tr> <tr><td>Waived</td><td align="right"><u>30%</u></td></tr> <tr><td>Total</td><td align="right">100%</td></tr> </table> 	<u>Healthcare Plan</u>		PEMHCA	60%	Non-PEMHCA	<u>30%</u>	Participating	90%	Waived	<u>10%</u>	Total	100%	<u>Healthcare Plan</u>		PEMHCA	70%	Waived	<u>30%</u>	Total	100%	<ul style="list-style-type: none"> • Hired < 9/30/11 <table border="0" style="margin-left: 20px;"> <tr><td><u>Healthcare Plan</u></td><td></td></tr> <tr><td>PEMHCA</td><td align="right">60%</td></tr> <tr><td>Non-PEMHCA</td><td align="right"><u>30%</u></td></tr> <tr><td>Participating</td><td align="right">90%</td></tr> <tr><td>Waived</td><td align="right"><u>10%</u></td></tr> <tr><td>Total</td><td align="right">100%</td></tr> </table> • Hired ≥ 9/30/11 <table border="0" style="margin-left: 20px;"> <tr><td><u>Healthcare Plan</u></td><td></td></tr> <tr><td>PEMHCA</td><td align="right">70%</td></tr> <tr><td>Waived</td><td align="right"><u>30%</u></td></tr> <tr><td>Total</td><td align="right">100%</td></tr> </table> 	<u>Healthcare Plan</u>		PEMHCA	60%	Non-PEMHCA	<u>30%</u>	Participating	90%	Waived	<u>10%</u>	Total	100%	<u>Healthcare Plan</u>		PEMHCA	70%	Waived	<u>30%</u>	Total	100%
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<p>■ Medical Plan at Retirement</p> <p>Current Actives</p>	<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	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Non-PEMHCA & Waived Participation & Plan Election</p> <p>Current Retirees</p>	<ul style="list-style-type: none"> • Currently < 65: <ul style="list-style-type: none"> ➢ Non-PEMHCA participants - Current non-PEMHCA plan after age 65 ➢ Waived - 20% elect PEMHCA plan at age 65 and receive the maximum City contribution • Currently ≥ 65 - Current plan election 	<ul style="list-style-type: none"> • Currently < 65: <ul style="list-style-type: none"> ➢ Non-PEMHCA participants - Current non-PEMHCA plan after age 65 ➢ Waived - 20% elect PEMHCA plan at age 65 and receive the maximum City contribution • Currently ≥ 65 - Current plan election

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																												
■ PEMHCA Administration Fee	<ul style="list-style-type: none"> • 0.33% of retiree premium for 2013/14 • 0.35% of retiree premium for 2014/15 and later years - 5-year average through 2013/14: <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr> <td>2009/10</td> <td>0.43%</td> </tr> <tr> <td>2010/11</td> <td>0.37%</td> </tr> <tr> <td>2011/12</td> <td>0.36%</td> </tr> <tr> <td>2012/13</td> <td>0.25%</td> </tr> <tr> <td>2013/14</td> <td><u>0.33%</u></td> </tr> <tr> <td>5-Year Ave</td> <td>0.35%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2009/10	0.43%	2010/11	0.37%	2011/12	0.36%	2012/13	0.25%	2013/14	<u>0.33%</u>	5-Year Ave	0.35%	<ul style="list-style-type: none"> • 0.33% of retiree premium for 2015/16 and later years - 5-year average through 2014/15: <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr> <td>2010/11</td> <td>0.37%</td> </tr> <tr> <td>2011/12</td> <td>0.36%</td> </tr> <tr> <td>2012/13</td> <td>0.25%</td> </tr> <tr> <td>2013/14</td> <td>0.33%</td> </tr> <tr> <td>2014/15</td> <td><u>0.34%</u></td> </tr> <tr> <td>5-Year Ave</td> <td>0.33%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2010/11	0.37%	2011/12	0.36%	2012/13	0.25%	2013/14	0.33%	2014/15	<u>0.34%</u>	5-Year Ave	0.33%
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■ Medicare Eligibility	<ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • Medicare eligible retirees will elect Part B coverage 	<ul style="list-style-type: none"> • Same 																												

ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ 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 provided 	<ul style="list-style-type: none"> • Same

ACTUARIAL METHODS

Method	June 30, 2015 Valuation
■ Cost Method	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll • City date of hire used for entry age
■ 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 • 22-year fixed (closed) period for projected 6/30/16 UAAL for 2016/17 ARC • Amortization period decreases 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, 2015 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 currently not required under GASB 45 to value an implied subsidy • PEMHCA is a community-rated plan for most employers • Valuation includes implied subsidy • Implied subsidy required by Actuarial Standards of Practice for 6/30/15 actuarial valuation
■ Future New Hires	<ul style="list-style-type: none"> • Valuation results – Closed group, no new hires • Simplified open group projection: <ul style="list-style-type: none"> ➢ Total active pay increased in accordance with aggregate payroll assumption ➢ New hires assumed to have the same Normal Cost percentage as current actives hired after 9/30/11 ➢ No additional retirees from new hires over the 10-year projection period

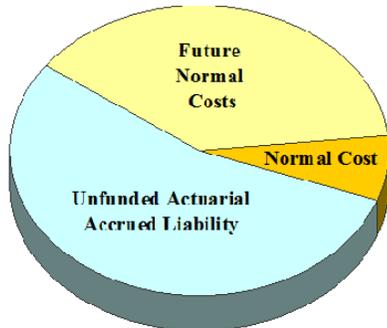
DEFINITIONS

<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 (NC) is portion of PVB allocated to current fiscal year ● Actuarial cost method used for valuation is Entry Age Normal (EAN) 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

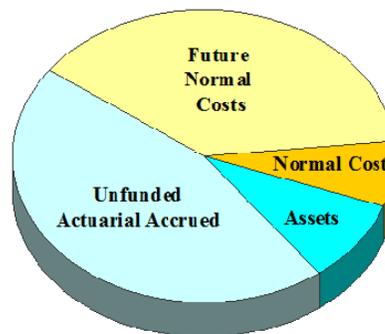
DEFINITIONS

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

DEFINITIONS

<p>■ Terminology Used in Report</p>	<ul style="list-style-type: none"> ● AAL - Actuarial Accrued Liability ● AOC - Annual OPEB Cost ● ARC - Annual Required Contribution ● AVA - Actuarial Value of Assets ● EAN - Entry Age Normal Cost Method ● GASB 45 - Governmental Accounting Standards Board Statement No. 45 ● MVA - Market Value of Assets ● NOO - Net OPEB Obligation ● OPEB - Other (than pensions) Post Employment Benefits ● NC - Normal Cost ● PVB - Present Value of Projected Benefits ● UAAL - Unfunded Actuarial Accrued Liability
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