



## RETIREE HEALTHCARE PLAN

### June 30, 2007 GASB 45 Actuarial Valuation Preliminary Results

JOHN E. BARTEL

**BARTEL**  
ASSOCIATES, LLC

November 25, 2009

### Agenda

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## BENEFIT SUMMARY

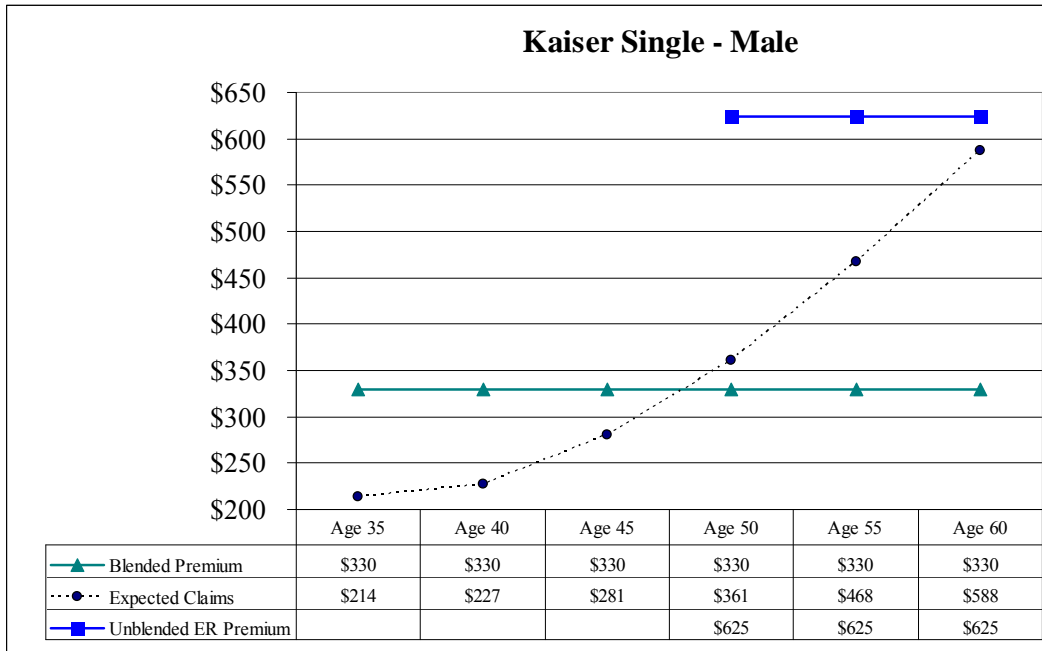
<ul style="list-style-type: none"> <li>■ Eligibility</li> </ul>	<ul style="list-style-type: none"> <li>• Service or disability retirement from the City</li> <li>• Age 50 &amp; 5 years service under CalPERS</li> </ul>
<ul style="list-style-type: none"> <li>■ Benefit</li> </ul>	<ul style="list-style-type: none"> <li>• Continued participation in City medical plans</li> <li>• Retiree pays 100% of premium</li> </ul>
<ul style="list-style-type: none"> <li>■ Surviving Spouse Continuation</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement plan election</li> <li>• Same benefit continues to surviving spouse</li> </ul>
<ul style="list-style-type: none"> <li>■ Dental, Vision &amp; Life</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
<ul style="list-style-type: none"> <li>■ Pay-As-You-Go Costs</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

## BENEFIT SUMMARY

<ul style="list-style-type: none"> <li>■ Possible Early Retirement Window</li> </ul>	<ul style="list-style-type: none"> <li>• Eligibility:             <ul style="list-style-type: none"> <li>➢ Offered to all City departments/bargaining groups</li> <li>➢ Must be eligible to retire</li> <li>➢ 90 Day opt-in window</li> </ul> </li> <li>• Benefit:             <ul style="list-style-type: none"> <li>➢ DOR &lt; 1/1/08 – City pays single premium through 12/31/09</li> <li>➢ DOR ≥ 1/1/08 and DOR &lt; 1/1/09 – City pays single premium through 12/31/08</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>■ Implied Subsidy</li> </ul>	<ul style="list-style-type: none"> <li>• Participating retirees paying active rates vs. actual cost</li> <li>• Value implied subsidy only, until age 65</li> </ul>

## BENEFIT SUMMARY

### 2008 Blended Premiums vs. Expected Claims Costs



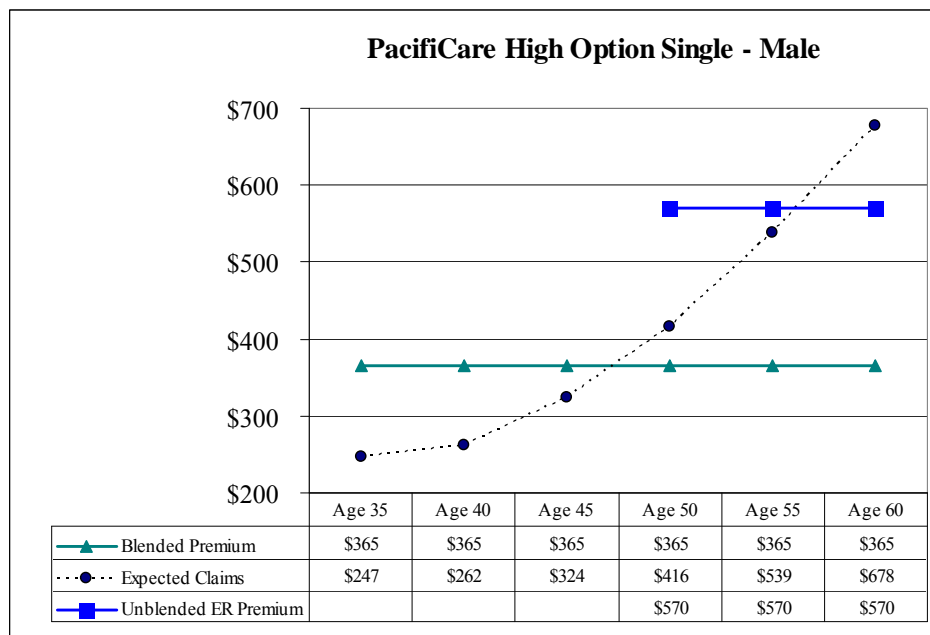
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## BENEFIT SUMMARY

### 2008 Blended Premiums vs. Expected Claims Costs



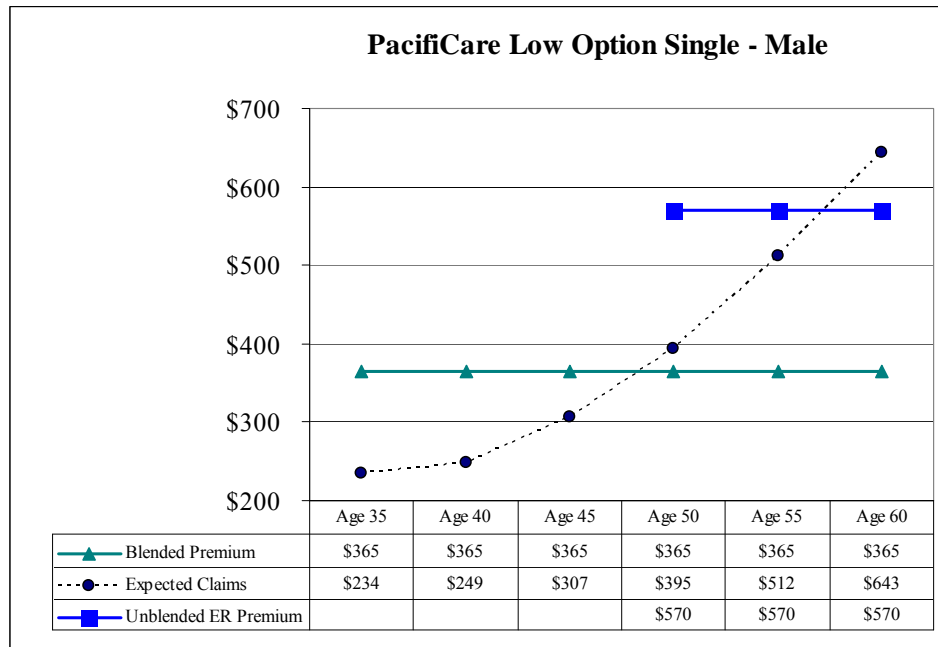
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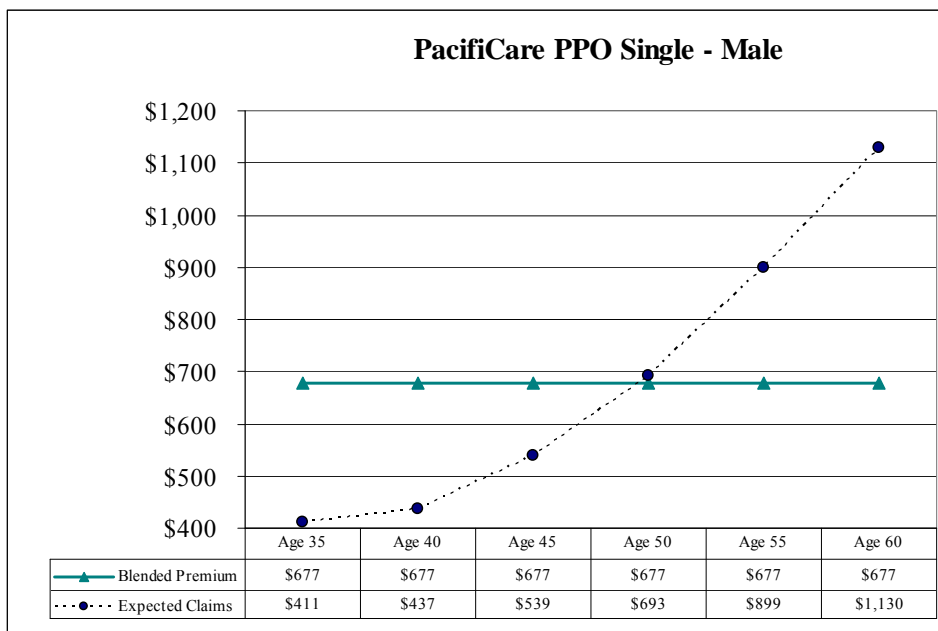
## BENEFIT SUMMARY

### 2008 Blended Premiums vs. Expected Claims Costs



## BENEFIT SUMMARY

### 2008 Blended Premiums vs. Expected Claims Costs



**PREMIUMS**

**2007 Monthly Medical Premiums  
Actives**

<b>Plan</b>	<b>EE</b>	<b>EE+1</b>	<b>Family</b>
<b>Kaiser</b>	\$314	\$628	\$785
<b>PacifiCare PPO</b>	670	1,340	1,676
<b>PacifiCare High</b>	389	778	973
<b>PacifiCare Low</b>	361	724	906

**PREMIUMS**

**2007 Monthly Medical Premiums  
Retirees**

<b>Plan</b>	<b>Non-Medicare Eligible</b>			<b>Medicare Eligible</b>		
	<b>EE</b>	<b>EE+1</b>	<b>Family</b>	<b>EE</b>	<b>EE+1</b>	<b>Family</b>
<b>Kaiser</b>	\$294	\$587	\$830	\$162	\$324	\$567
<b>PacifiCare PPO</b>	670	1,340	1,676	n/a	n/a	n/a
<b>PacifiCare High</b>	368	725	1,032	197	394	690
<b>PacifiCare Low</b>	336	672	948	197	394	670

**PREMIUMS**

**Final 2008 Monthly Medical Premiums – Blended Rates**

Plan	Actives and Non-Medicare Eligible Retirees			Medicare Eligible Retirees		
	EE	EE+1	Family	EE	EE+1	Family
<b>Kaiser</b>	\$330.00	\$660.00	\$824.00	\$162.00	\$324.00	\$488.00
<b>PacifiCare PPO</b>	677.00	1,353.00	1,693.00	n/a	n/a	n/a
<b>PacifiCare High</b>	365.00	730.00	913.00	237.00	474.00	657.00
<b>PacifiCare Low</b>	365.00	730.00	913.00	237.00	474.00	657.00

**PREMIUMS**

**2008 Monthly Medical Premiums – Unblended Rates for Comparison**

**Actives**

Plan	EE	EE+1	Family
<b>Kaiser</b>	\$305.55	\$611.09	\$764.16
<b>PacifiCare PPO</b>	648.02	1,296.05	1,621.03
<b>PacifiCare High</b>	352.19	704.38	880.47
<b>PacifiCare Low</b>	352.19	704.38	880.47

**Retirees**

Plan	Non-Medicare Eligible Retirees			Medicare Eligible Retirees		
	EE	EE+1	Family	EE	EE+1	Family
<b>Kaiser</b>	\$624.71	\$1,249.12	\$1,767.50	\$162.00	\$324.00	\$488.00
<b>PacifiCare PPO</b>	648.02	1,296.05	1,621.03	n/a	n/a	n/a
<b>PacifiCare High</b>	569.93	1,138.87	1,595.82	237.00	474.00	657.00
<b>PacifiCare Low</b>	569.93	1,138.87	1,595.82	237.00	474.00	657.00

**DATA SUMMARY**

**Participant Statistics  
June 30, 2007**

	<u>Misc</u>	<u>Safety</u>	<u>Total</u>
<b>■ Actives:</b>			
• Count	851	359	1,210
• Average age	44.0	37.9	42.2
• Average service	8.6	9.4	8.9
• Average Salary	\$64,763	\$75,293	\$67,887
• Total Salary (000's)	\$55,114	\$27,030	\$82,144
<b>■ All Retirees:</b>			
• Count	98	46	144
• Average age	64.3	60.7	63.1
• Average retirement age <sup>1</sup>	58.5	51.3	56.2

<sup>1</sup> Excludes surviving spouses: Luella Baker, Jerelyn Bounds, Lorraine Espinosa, Nancy Fuentes, Donna Tarwid

**DATA SUMMARY**

**Participant Statistics  
June 30, 2007**

	<u>Misc</u>	<u>Safety</u>	<u>Total</u>
<b>■ Service Retirees:</b>			
• Count	95	44	139
• Average age	64.1	60.4	62.9
• Average retirement age	58.5	51.3	56.2
<b>■ Disabled Retirees:</b>			
• Count	n/a	n/a	n/a
• Average age	n/a	n/a	n/a
• Average retirement age	n/a	n/a	n/a
<b>■ Survivors:</b>			
• Count	3	2	5
• Average age	70.3	66.1	68.6
• Average retirement age	n/a	n/a	n/a

**DATA SUMMARY**

**Medical Plan Coverage  
Actives**

	<b>EE</b>	<b>EE+1</b>	<b>Family</b>	<b>Total</b>
Kaiser	279	99	268	646
PacifiCare PPO	9	1	0	10
PacifiCare High	188	82	203	473
PacifiCare Low	32	5	21	58
Waived	n/a	n/a	n/a	23
<b>Total</b>	<b>508</b>	<b>187</b>	<b>492</b>	<b>1,210</b>

**DATA SUMMARY**

**Medical Plan Coverage  
Retirees**

	<b>Pre-65</b>				<b>Post-65</b>			
	<b>EE</b>	<b>EE+1</b>	<b>Family</b>	<b>Total</b>	<b>EE</b>	<b>EE+1</b>	<b>Family</b>	<b>Total</b>
Kaiser	15	28	6	49	6	12	1	19
PacifiCare PPO	1	1	0	2	0	0	0	0
PacifiCare High	21	16	1	38	20	13	0	33
PacifiCare Low	1	0	0	1	0	2	0	2
Waived	n/a	n/a	n/a	0	n/a	n/a	n/a	0
<b>Total</b>	<b>38</b>	<b>45</b>	<b>7</b>	<b>90</b>	<b>26</b>	<b>27</b>	<b>1</b>	<b>54</b>

**DATA SUMMARY**

**Medical Plan Coverage  
Retirees by Age**

Age	Medical Coverage				
	EE	EE+1	Family	Waived	Total
Under 50	6	0	2	0	8
50-54	3	2	2	0	7
55-59	14	14	2	0	30
60-64	15	29	1	0	45
65-69	13	14	0	0	27
70-74	8	9	1	0	18
75 & Over	5	4	0	0	9
Total	64	72	8	0	144
Average Age	62.7	64.3	55.9	n/a	63.1



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**DATA SUMMARY**

**Actives - Miscellaneous**

Age		Service							Total
		Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	Count	4	12	-	-	-	-	-	16
	Average Salary	42,695	41,147	-	-	-	-	-	41,534
25-29	Count	15	30	21	1	-	-	-	67
	Average Salary	43,291	48,901	49,896	55,650	-	-	-	48,058
30-34	Count	9	53	35	3	-	-	-	100
	Average Salary	50,909	53,941	61,549	39,740	-	-	-	55,905
35-39	Count	6	58	45	8	3	-	-	120
	Average Salary	62,058	54,800	63,455	49,047	63,320	-	-	58,238
40-44	Count	3	41	62	13	11	4	-	134
	Average Salary	58,403	54,809	68,873	59,338	82,314	79,196	-	64,822
45-49	Count	4	38	38	18	28	23	3	152
	Average Salary	39,011	70,562	68,565	56,196	72,069	92,037	66,011	70,969
50-54	Count	3	25	40	18	26	13	11	136
	Average Salary	125,938	73,508	67,371	83,961	75,095	75,071	62,019	73,767
55-59	Count	3	15	22	5	13	8	9	75
	Average Salary	88,137	93,004	68,584	55,176	74,489	57,380	78,263	74,346
60-64	Count	2	4	10	6	12	6	4	44
	Average Salary	158,068	73,567	71,140	50,708	68,834	64,440	94,576	73,113
65 & Over	Count	-	-	2	2	1	2	-	7
	Average Salary	-	-	65,189	46,527	21,706	53,082	-	50,186
Total	Count	49	276	275	74	94	56	27	851
	Average Salary	60,006	59,614	65,377	61,279	73,212	77,882	72,700	64,763



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## DATA SUMMARY

### Actives - Safety

Age		Service							Total
		Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	Count	4	5	-	-	-	-	-	9
	Average Salary	55,573	65,330	-	-	-	-	-	60,994
25-29	Count	12	38	10	-	-	-	-	60
	Average Salary	58,390	66,071	74,865	-	-	-	-	66,000
30-34	Count	4	35	35	6	1	-	-	81
	Average Salary	62,798	67,440	75,846	83,409	80,732	-	-	72,190
35-39	Count	4	21	29	15	5	-	-	74
	Average Salary	61,071	68,277	74,521	84,672	88,258	-	-	75,008
40-44	Count	1	10	11	10	22	6	-	60
	Average Salary	63,333	69,783	75,466	82,757	81,995	85,563	-	78,935
45-49	Count	1	5	1	7	12	13	2	41
	Average Salary	66,499	75,894	73,315	80,882	85,176	93,490	80,732	84,986
50-54	Count	-	-	-	1	5	13	8	27
	Average Salary	-	-	-	73,315	82,688	83,467	92,478	85,616
55-59	Count	-	-	-	2	-	-	1	3
	Average Salary	-	-	-	92,866	-	-	87,645	91,126
60-64	Count	-	-	-	-	-	-	4	4
	Average Salary	-	-	-	-	-	-	79,458	79,458
65 & Over	Count	-	-	-	-	-	-	-	-
	Average Salary	-	-	-	-	-	-	-	-
Total	Count	26	114	86	41	45	32	15	359
	Average Salary	59,549	67,622	75,207	83,496	83,588	87,932	87,117	75,293



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## DATA SUMMARY

### Actives - Total

Age		Service							Total
		Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	
Under 25	Count	8	17	-	-	-	-	-	25
	Average Salary	49,134	48,260	-	-	-	-	-	48,539
25-29	Count	27	68	31	1	-	-	-	127
	Average Salary	50,002	58,496	57,950	55,650	-	-	-	56,535
30-34	Count	13	88	70	9	1	-	-	181
	Average Salary	54,567	59,310	68,698	68,853	80,732	-	-	63,193
35-39	Count	10	79	74	23	8	-	-	194
	Average Salary	61,663	58,382	67,792	72,281	78,906	-	-	64,635
40-44	Count	4	51	73	23	33	10	-	194
	Average Salary	59,636	57,745	69,867	69,520	82,101	83,016	-	69,187
45-49	Count	5	43	39	25	40	36	5	193
	Average Salary	44,509	71,182	68,687	63,108	76,001	92,562	71,900	73,946
50-54	Count	3	25	40	19	31	26	19	163
	Average Salary	125,938	73,508	67,371	83,401	76,320	79,269	74,844	75,730
55-59	Count	3	15	22	7	13	8	10	78
	Average Salary	88,137	93,004	68,584	65,944	74,489	57,380	79,201	74,992
60-64	Count	2	4	10	6	12	6	8	48
	Average Salary	158,068	73,567	71,140	50,708	68,834	64,440	87,017	73,642
65 & Over	Count	-	-	2	2	1	2	-	7
	Average Salary	-	-	65,189	46,527	21,706	53,082	-	50,186
Total	Count	75	390	361	115	139	88	42	1,210
	Average Salary	59,848	61,955	67,719	69,200	76,571	81,537	77,849	67,887



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## ACTUARIAL ASSUMPTIONS

■ Valuation Date	➤ June 30, 2007 ➤ Cost for 2007/08 and 2008/09 fiscal years																																		
■ Discount rate	➤ 4.50% - assets invested in General Fund, not pre-funded ➤ 7.75% - sensitivity - pre-funded through CERBT																																		
■ Aggregate Payroll Increases	➤ 3.25%																																		
■ General Inflation	➤ 3.00%																																		
■ Healthcare Trend	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">&lt; Medicare</th> <th colspan="2">&gt; Medicare</th> </tr> <tr> <th>HMO</th> <th>PPO</th> <th>HMO</th> <th>PPO</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td colspan="4" style="text-align: center;"><i>Actual 2008 Premiums</i></td> </tr> <tr> <td>2009</td> <td>9.7%</td> <td>10.5%</td> <td>10.1%</td> <td>10.9%</td> </tr> <tr> <td>2010</td> <td>9.0</td> <td>9.7</td> <td>9.4</td> <td>10.1</td> </tr> <tr> <td style="text-align: center;">↓</td> <td style="text-align: center;">↓</td> <td style="text-align: center;">↓</td> <td style="text-align: center;">↓</td> <td style="text-align: center;">↓</td> </tr> <tr> <td>2017+</td> <td>4.5%</td> <td>4.5%</td> <td>4.5%</td> <td>4.5%</td> </tr> </tbody> </table>	Year	< Medicare		> Medicare		HMO	PPO	HMO	PPO	2008	<i>Actual 2008 Premiums</i>				2009	9.7%	10.5%	10.1%	10.9%	2010	9.0	9.7	9.4	10.1	↓	↓	↓	↓	↓	2017+	4.5%	4.5%	4.5%	4.5%
Year	< Medicare		> Medicare																																
	HMO	PPO	HMO	PPO																															
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2009	9.7%	10.5%	10.1%	10.9%																															
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↓	↓	↓	↓	↓																															
2017+	4.5%	4.5%	4.5%	4.5%																															

## ACTUARIAL ASSUMPTIONS

■ Mortality, Withdrawal, Disability	➤ CalPERS 1997-2002 Experience Study									
■ Retirement	➤ CalPERS 1997-2002 Experience Study <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;"><u>Miscellaneous</u></td> <td style="text-align: center;"><u>Police</u></td> <td style="text-align: center;"><u>Fire</u></td> </tr> <tr> <td style="text-align: center;">3% @ 60 ERA ≈ 60 (M) 59 (F)</td> <td style="text-align: center;">3% @ 50 ERA ≈ 55</td> <td style="text-align: center;">3% @ 50 ERA ≈ 55</td> </tr> </table>	<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>	3% @ 60 ERA ≈ 60 (M) 59 (F)	3% @ 50 ERA ≈ 55	3% @ 50 ERA ≈ 55			
<u>Miscellaneous</u>	<u>Police</u>	<u>Fire</u>								
3% @ 60 ERA ≈ 60 (M) 59 (F)	3% @ 50 ERA ≈ 55	3% @ 50 ERA ≈ 55								
■ Early Retirement Window	➤ Additional retirements due to ERW: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th><u>Scenario 1</u></th> <th><u>Scenario 2</u></th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>10.0%</td> <td>20.0%</td> </tr> <tr> <td>2008</td> <td>2.5%</td> <td>5.0%</td> </tr> </tbody> </table>	Year	<u>Scenario 1</u>	<u>Scenario 2</u>	2007	10.0%	20.0%	2008	2.5%	5.0%
Year	<u>Scenario 1</u>	<u>Scenario 2</u>								
2007	10.0%	20.0%								
2008	2.5%	5.0%								

## ACTUARIAL ASSUMPTIONS

<p>■ Participation</p>	<p>➤ 60% - Based on City experience:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Year</u></th> <th style="text-align: center;"><u>Number of Retirees</u></th> <th style="text-align: center;"><u>Retirees Electing Health Coverage</u></th> <th style="text-align: center;"><u>Percentage</u></th> </tr> </thead> <tbody> <tr><td>2000</td><td style="text-align: center;">22</td><td style="text-align: center;">9</td><td style="text-align: center;">41%</td></tr> <tr><td>2001</td><td style="text-align: center;">8</td><td style="text-align: center;">1</td><td style="text-align: center;">13%</td></tr> <tr><td>2002</td><td style="text-align: center;">14</td><td style="text-align: center;">8</td><td style="text-align: center;">57%</td></tr> <tr><td>2003</td><td style="text-align: center;">40</td><td style="text-align: center;">24</td><td style="text-align: center;">60%</td></tr> <tr><td>2004</td><td style="text-align: center;">29</td><td style="text-align: center;">17</td><td style="text-align: center;">59%</td></tr> <tr><td>2005</td><td style="text-align: center;">30</td><td style="text-align: center;">15</td><td style="text-align: center;">50%</td></tr> <tr><td>2006</td><td style="text-align: center;">22</td><td style="text-align: center;">12</td><td style="text-align: center;">55%</td></tr> <tr><td>2007</td><td style="text-align: center;">10</td><td style="text-align: center;">5</td><td style="text-align: center;">50%</td></tr> </tbody> </table> <p>➤ 100% of those retiring in 2007 &amp; 2008 participate in Medical plan</p>	<u>Year</u>	<u>Number of Retirees</u>	<u>Retirees Electing Health Coverage</u>	<u>Percentage</u>	2000	22	9	41%	2001	8	1	13%	2002	14	8	57%	2003	40	24	60%	2004	29	17	59%	2005	30	15	50%	2006	22	12	55%	2007	10	5	50%
<u>Year</u>	<u>Number of Retirees</u>	<u>Retirees Electing Health Coverage</u>	<u>Percentage</u>																																		
2000	22	9	41%																																		
2001	8	1	13%																																		
2002	14	8	57%																																		
2003	40	24	60%																																		
2004	29	17	59%																																		
2005	30	15	50%																																		
2006	22	12	55%																																		
2007	10	5	50%																																		
<p>■ Medical Plan at Retirement</p>	<p>➤ Currently covered: same as current</p> <p>➤ Not currently covered: weighted premium based on current active election</p>																																				

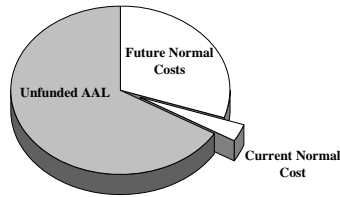
## ACTUARIAL ASSUMPTIONS

<p>■ Medicare Eligible Rate</p>	<p>➤ 100%</p> <p>➤ Everyone eligible for Medicare will elect Part B coverage</p>
<p>■ Marital Status</p>	<p>➤ Actives:</p> <ul style="list-style-type: none"> <li>• Current marital status based on coverage</li> <li>• If current marital status unknown, 80% married</li> </ul> <p>➤ Retirees: current marital status</p>
<p>■ Spouse Age</p>	<p>➤ Males 3 years older than females if spouse birth date not available</p>
<p>■ Future New Entrants</p>	<p>➤ None – Closed Group</p>

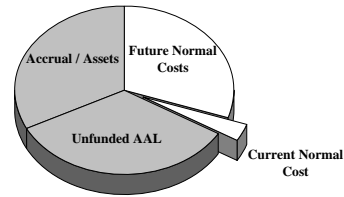
## DEFINITIONS

### Present Value of Projected Benefits (PVPB)

#### Without Assets



#### With Assets



- PVPB - Present Value of all Projected Benefits:
  - Discounted value, at measurement (valuation date – 6/30/2007), of all future expected benefit payments
  - Expected benefit payments based on various (actuarial) assumptions

## DEFINITIONS

- AAL – Actuarial Accrued Liability / Actuarial Obligations:
  - Discounted value, at measurement (valuation date – 6/30/2007), of benefits “earned” (based on actuarial cost method) through measurement
  - Portion of PVPB “earned” at measurement
- Normal Cost:
  - Value of benefits “earned” during current year
  - Portion of PVPB allocated to current year
- Actuarial Cost Method:
  - Determines how benefits are “earned” (or allocated) to each year of service
  - Has no effect on PVPB
  - Has significant effect on Actuarial Obligations and Normal Cost

## ACTUARIAL METHODS

Method	Comments
<ul style="list-style-type: none"> <li>■ Cost Method</li> </ul>	<ul style="list-style-type: none"> <li>■ Choice of 6 methods: Entry Age; Frozen Entry Age; Attained Age; Frozen Attained Age; Projected Unit Credit; &amp; Aggregate</li> <li>■ Entry Age Normal consistent with CalPERS and acceptable to GASB</li> </ul>
<ul style="list-style-type: none"> <li>■ Initial Unfunded Liability Amortization</li> </ul>	<ul style="list-style-type: none"> <li>■ Amortized as level percentage of pay over 30 years, 20 year sensitivity</li> <li>■ Acceptable to GASB</li> </ul>
<ul style="list-style-type: none"> <li>■ "Implied Subsidy"</li> </ul>	<ul style="list-style-type: none"> <li>■ Employer cost for allowing retirees to participate, irrespective of employer contribution</li> <li>■ Value implied subsidy only, up to age 65</li> </ul>

## ACTUARIAL METHODS

GASB Terminology	Definition
<ul style="list-style-type: none"> <li>■ Annual Required Contribution (ARC)</li> </ul>	<ul style="list-style-type: none"> <li>■ Actuarially determined contribution, using funding method, amortization period, assumptions, etc.</li> </ul>
<ul style="list-style-type: none"> <li>■ Annual Other Post Employment Benefit (OPEB) Cost (AOC)</li> </ul>	<ul style="list-style-type: none"> <li>■ Similar to GASB 27 Annual Pension Cost</li> <li>■ ARC, adjusted for:                             <ul style="list-style-type: none"> <li>➢ Interest on NOO and</li> <li>➢ Amortization of NOO</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>■ Net OPEB Obligation (NOO)</li> </ul>	<ul style="list-style-type: none"> <li>■ Historical difference between actual contribution and AOC</li> <li>■ <math>NOO \text{ (end of year)} =</math>  <math>NOO \text{ (beginning of year)}</math>  <math>+ AOC \text{ (for year)}</math>  <math>- \text{actual contributions (made during year)}</math> </li> </ul>

**SIMPLIFIED EXAMPLE - ACTIVE**

(Assumes 0% Interest and Other Simplifying Assumptions)

If:	Age	Service	PERSable Wages
■ At Hire:	35	0	-
■ Current:	45	10	\$ 60,000
■ At Retirement:	60	25	-
Then:			
■ PVPB <sub>45</sub>	=		\$ 100,000
■ AAL <sub>45</sub>	=	(10/25) x 100,000	= 40,000
■ Assets	=		<u>0</u>
■ UAAL	=		40,000
■ NC <sub>45/46</sub>	=	(1/25) x 100,000	= 4,000

**SIMPLIFIED EXAMPLE - ACTIVE**

■ Normal Cost	=		\$ 4,000
■ UAAL Amortization	=	(1/20) x 40,000	= <u>2,000</u>
■ ARC - \$	=		<b>6,000</b>
■ ARC - %	=	6,000 / 60,000	= 10%
■ Pay as You Go Cost			<b>0</b>
		<b>Pay-Go</b>	<b>Pre-Fund</b>
<b>Net OPEB Obligation</b>		<b>Without Trust</b>	<b>With Trust</b>
■ BoY NOO	=	\$ 0	\$ 0
■ + ARC	=	6,000	6,000
■ - Payments	=	<u>0</u>	<u>(6,000)</u>
■ EoY NOO	=	6,000	0

**SIMPLIFIED EXAMPLE - RETIREE**

(Assumes 0% Interest and Other Simplifying Assumptions)

If:	Age	Service	Annual Payment
■ At retirement:	60	25	-
■ Current Age:	62	25	\$ 4,000
Then:			
■ PVPB <sub>62</sub>	=		\$ 100,000
■ AAL <sub>62</sub>	=	(25/25) x 100,000 =	100,000
■ Assets	=		<u>0</u>
■ UAAL	=		100,000
■ NC <sub>62/63</sub>	=	(0/25) x 100,000 =	0

**SIMPLIFIED EXAMPLE - RETIREE**

■ Normal Cost	=		\$ 0
■ UAAL Amortization	=	(1/20) x 100,000 =	<u>5,000</u>
■ ARC - \$	=		<b>5,000</b>
■ ARC - %	=		N/A
■ Pay as You Go Cost			<b>4,000</b>
<b>Net OPEB Obligation</b>		<b>Pay-Go Without Trust</b>	<b>Pre-Fund With Trust</b>
■ BoY NOO	=	\$ 0	\$ 0
■ + ARC	=	5,000	5,000
■ - Payments	=	<u>(4,000)</u>	<u>(5,000)</u>
■ EoY NOO	=	1,000	0

**RESULTS**

**Actuarial Obligations  
Continue Blended Premium Rates  
4.5% Discount Rate  
June 30, 2007  
(Amounts in \$000's)**

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
<b>■ Present Value of Benefits</b>			
• Actives	\$ 7,782	\$ 8,188	\$ 15,971
• Retirees	1,217	785	2,002
• Total	8,999	8,974	17,973
<b>■ Actuarial Accrued Liability</b>			
• Actives	3,326	3,258	6,584
• Retirees	1,217	785	2,002
• Total	4,543	4,044	8,586
<b>■ 2007/08 Normal Cost</b>	412	384	795
<b>■ 2007/08 Pay-As-You-Go Cost</b>	245	121	367

**RESULTS**

**Annual Required Contribution (ARC)  
Continue Blended Premium Rates  
4.5% Discount Rate  
Fiscal 2007/08  
(Amounts in \$000's)**

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
<b>■ ARC \$</b>			
• Normal Cost	\$ 412	\$ 384	\$ 795
• UAAL Amortization <sup>2</sup>	187	167	354
• ARC	599	551	1,149
<b>■ Projected Payroll</b>	55,113	27,030	82,144
<b>■ ARC %</b>			
• Normal Cost	0.7%	1.4%	1.0%
• UAAL Amortization	0.3%	0.6%	0.4%
• ARC	1.1%	2.0%	1.4%

<sup>2</sup> Amortized as a level percent of payroll over 30 years

**RESULTS**

**Discount Rate & Amortization Period Sensitivity  
Continue Blended Premiums  
Fiscal 2007/08  
(Amounts in \$000's)**

■ Discount Rate	4.5%		7.75%	
	20 years	30 years	20 years	30 years
■ Amortization Period				
■ Present Value of Benefits	\$ 17,973	\$ 17,973	\$ 10,843	\$ 10,843
■ Funded Status				
• AAL	8,586	8,586	6,537	6,537
• Assets	-	-	-	-
• Unfunded AAL	8,586	8,586	6,537	6,537
■ ARC				
• Normal Cost	795	795	490	490
• UAAL Amortization	502	354	513	407
• ARC	1,297	1,149	1,003	897
• ARC as % of payroll	1.6%	1.4%	1.2%	1.1%

**RESULTS**

**Estimated Net OPEB Obligation  
Continue Blended Premiums  
30 Year Amortization  
(Amounts in \$000's)**

	No	
	Pre-Funding 4.5%	Pre-Funding 7.75%
■ NOO 6/30/2007	\$ -	\$ -
• 2007/08 ARC	1,149	897
• Estimated Contribution <sup>3</sup>	(367)	(897)
■ Estimated NOO 6/30/2008	782	-

<sup>3</sup> Amount due to implied subsidy only.

**RESULTS**

**Pay-As-You-Go Illustration  
Continue Blended Premiums  
4.5% Discount Rate  
(Amounts in \$000's)**

<b>Fiscal Year</b>	<b>BOY Net OPEB Obligation</b>	<b>Benefit Payout</b>	<b>AOC</b>	<b>Payroll</b>	<b>Benefits as % of Payroll</b>
2007/08	\$ -	\$ 367	\$ 1,149	\$ 82,144	0.4%
2008/09	782	355	1,222	84,814	0.4%
2009/10	1,649	395	1,299	87,570	0.5%
2010/11	2,553	440	1,380	90,416	0.5%
2011/12	3,493	492	1,463	93,355	0.5%
2012/13	4,464	547	1,549	96,389	0.6%
2013/14	5,466	593	1,638	99,521	0.6%
2014/15	6,512	671	1,731	102,756	0.7%
2015/16	7,572	760	1,825	106,095	0.7%
2016/17	8,637	842	1,921	109,543	0.8%

**RESULTS**

**Full Pre-Funding Illustration  
Continue Blended Premiums  
7.75% Discount Rate  
(Amounts in \$000's)**

<b>Fiscal Year</b>	<b>BOY Net OPEB Obligation</b>	<b>Contribution</b>	<b>AOC</b>	<b>Payroll</b>	<b>Contribution as % of Payroll</b>
2007/08	\$ -	\$ 897	\$ 897	\$ 82,144	1.1%
2008/09	-	927	927	84,814	1.1%
2009/10	-	957	957	87,570	1.1%
2010/11	-	988	988	90,416	1.1%
2011/12	-	1,020	1,020	93,355	1.1%
2012/13	-	1,053	1,053	96,389	1.1%
2013/14	-	1,087	1,087	99,521	1.1%
2014/15	-	1,123	1,123	102,756	1.1%
2015/16	-	1,159	1,159	106,095	1.1%
2016/17	-	1,197	1,197	109,543	1.1%

**EARLY RETIREMENT WINDOW STUDY**

**Actuarial Obligations  
Continue Blended Premium Rates  
Early Retirement Window with 10%/2.5% Opt-In Assumption  
4.5% Discount Rate  
June 30, 2007  
(Amounts in \$000's)**

	<u>Misc</u>	<u>Safety</u>	<u>Total</u>
<b>■ Present Value of Benefits</b>			
• Actives	\$ 9,176	\$ 8,742	\$ 17,917
• Retirees	1,217	785	2,002
• Total	10,392	9,527	19,919
<b>■ Actuarial Accrued Liability</b>			
• Actives	4,044	3,562	7,606
• Retirees	1,217	785	2,002
• Total	5,260	4,348	9,608
<b>■ 2007/08 Normal Cost</b>	542	425	967
<b>■ 2007/08 Pay-As-You-Go Cost</b>	482	197	679

**EARLY RETIREMENT WINDOW STUDY**

**Annual Required Contribution (ARC)  
Continue Blended Premium Rates  
Early Retirement Window with 10%/2.5% Opt-In Assumption  
4.5% Discount Rate  
(Amounts in \$000's)**

	<u>2007/08</u>		<u>2008/09</u>	
	<u>Misc</u>	<u>Safety</u>	<u>Total</u>	<u>Total</u>
<b>■ ARC \$</b>				
• Normal Cost	\$ 542	\$ 425	\$ 967	\$ 998
• UAAL Amortization <sup>4</sup>	217	179	396	409
• ARC	759	604	1,363	1,407
<b>■ Projected Payroll</b>	55,113	27,030	82,144	84,814
<b>■ ARC %</b>				
• Normal Cost	1.0%	1.6%	1.2%	1.2%
• UAAL Amortization	0.4%	0.7%	0.5%	0.5%
• ARC	1.4%	2.2%	1.7%	1.7%

<sup>4</sup> Amortized as a level percent of payroll over 30 years

**EARLY RETIREMENT WINDOW STUDY**

**Actuarial Obligations  
Continue Blended Premium Rates  
Early Retirement Window with 10%/2.5% Opt-In Assumption  
4.5% Discount Rate  
June 30, 2007  
(Amounts in \$000's)**

	<u>Cash Subsidy (ERW)</u>	<u>Implied Subsidy</u>	<u>Total</u>	<u>Increase</u>
<b>■ Present Value of Benefits</b>				
• Actives	\$ 554	\$ 17,363	\$ 17,917	\$ 1,946
• Retirees	-	2,002	2,002	-
• Total	554	19,365	19,919	1,946
<b>■ Actuarial Accrued Liability</b>				
• Actives	446	7,160	7,606	1,022
• Retirees	-	2,002	2,002	-
• Total	446	9,162	9,608	1,022
<b>■ 2007/08 Normal Cost</b>	18	949	967	172
<b>■ 2007/08 Pay-As-You-Go Cost</b>	218	461	679	312

**EARLY RETIREMENT WINDOW STUDY**

**Annual Required Contribution (ARC)  
Continue Blended Premium Rates  
Early Retirement Window with 10%/2.5% Opt-In Assumption  
4.5% Discount Rate  
Fiscal 2007/08  
(Amounts in \$000's)**

	<u>Cash Subsidy (ERW)</u>	<u>Implied Subsidy</u>	<u>Total</u>	<u>Increase</u>
<b>■ ARC \$</b>				
• Normal Cost	\$ 18	\$ 949	\$ 967	\$ 172
• UAAL Amortization <sup>5</sup>	18	378	396	42
• ARC	36	1,327	1,363	214
<b>■ Projected Payroll</b>	82,144	82,144	82,144	-
<b>■ ARC %</b>				
• Normal Cost	0.02%	1.16%	1.2%	0.2%
• UAAL Amortization	0.02%	0.46%	0.5%	0.1%
• ARC	0.04%	1.62%	1.7%	0.3%

<sup>5</sup> Amortized as a level percent of payroll over 30 years

**EARLY RETIREMENT WINDOW STUDY**

**Actuarial Obligations  
Continue Blended Premium Rates  
Early Retirement Window with 20%/5% Opt-In Assumption  
4.5% Discount Rate  
June 30, 2007  
(Amounts in \$000's)**

	<u>Misc</u>	<u>Safety</u>	<u>Total</u>	<u>Increase</u>
<b>■ Present Value of Benefits</b>				
• Actives	\$ 9,874	\$ 8,838	\$ 18,712	\$ 2,741
• Retirees	1,217	785	2,002	-
• Total	11,091	9,624	20,714	2,741
<b>■ Actuarial Accrued Liability</b>				
• Actives	4,538	3,660	8,198	1,614
• Retirees	1,217	785	2,002	-
• Total	5,755	4,445	10,200	1,614
<b>■ 2007/08 Normal Cost</b>	610	431	1,042	247
<b>■ 2007/08 Pay-As-You-Go Cost</b>	613	214	827	460

**EARLY RETIREMENT WINDOW STUDY**

**Annual Required Contribution (ARC)  
Continue Blended Premium Rates  
Early Retirement Window with 20%/5% Opt-In Assumption  
4.5% Discount Rate  
Fiscal 2007/08  
(Amounts in \$000's)**

	<u>Misc</u>	<u>Safety</u>	<u>Total</u>	<u>Increase</u>
<b>■ ARC \$</b>				
• Normal Cost	\$ 610	\$ 431	\$ 1,042	\$ 247
• UAAL Amortization <sup>6</sup>	237	183	421	67
• ARC	847	614	1,463	314
<b>■ Projected Payroll</b>	55,113	27,030	82,144	-
<b>■ ARC %</b>				
• Normal Cost	1.1%	1.6%	1.3%	0.3%
• UAAL Amortization	0.4%	0.7%	0.5%	0.1%
• ARC	1.5%	2.3%	1.8%	0.4%

<sup>6</sup> Amortized as a level percent of payroll over 30 years

**EARLY RETIREMENT WINDOW STUDY**

**Actuarial Obligations  
Continue Blended Premium Rates  
Early Retirement Window with 20%/5% Opt-In Assumption  
4.5% Discount Rate  
June 30, 2007  
(Amounts in \$000's)**

	<u>Cash Subsidy (ERW)</u>	<u>Implied Subsidy</u>	<u>Total</u>	<u>Increase</u>
<b>■ Present Value of Benefits</b>				
• Actives	\$ 738	\$ 17,974	\$ 18,712	\$ 2,741
• Retirees	-	2,002	2,002	-
• Total	738	19,976	20,714	2,741
<b>■ Actuarial Accrued Liability</b>				
• Actives	617	7,581	8,198	1,614
• Retirees	-	2,002	2,002	-
• Total	617	9,583	10,200	1,614
<b>■ 2007/08 Normal Cost</b>	21	1,020	1,042	247
<b>■ 2007/08 Pay-As-You-Go Cost</b>	309	519	827	460

**EARLY RETIREMENT WINDOW STUDY**

**Annual Required Contribution (ARC)  
Continue Blended Premium Rates  
Early Retirement Window with 20%/5% Opt-In Assumption  
4.5% Discount Rate  
Fiscal 2007/08  
(Amounts in \$000's)**

	<u>Cash Subsidy (ERW)</u>	<u>Implied Subsidy</u>	<u>Total</u>	<u>Increase</u>
<b>■ ARC \$</b>				
• Normal Cost	\$ 21	\$ 1,020	\$ 1,042	\$ 247
• UAAL Amortization <sup>7</sup>	25	395	421	67
• ARC	46	1,415	1,463	314
<b>■ Projected Payroll</b>	82,144	82,144	82,144	-
<b>■ ARC %</b>				
• Normal Cost	0.03%	1.24%	1.3%	0.3%
• UAAL Amortization	0.03%	0.48%	0.5%	0.1%
• ARC	0.06%	1.72%	1.8%	0.4%

<sup>7</sup> Amortized as a level percent of payroll over 30 years

**EARLY RETIREMENT WINDOW STUDY**

**Discount Rate & Amortization Period Sensitivity  
Continue Blended Premiums With Early Retirement Window  
20%/5% Opt-In Assumption**

**Fiscal 2007/08**  
(Amounts in \$000's)

■ Discount Rate	4.5%		7.75%	
	20 years	30 years	20 years	30 years
■ Amortization Period				
■ Present Value of Benefits	\$20,714	\$20,714	\$13,193	\$13,193
■ Funded Status				
• AAL	10,200	10,200	8,217	8,217
• Assets	-	-	-	-
• Unfunded AAL	10,200	10,200	8,217	8,217
■ ARC				
• Normal Cost	1,042	1,042	662	662
• UAAL Amortization	596	421	644	512
• ARC	1,638	1,463	1,306	1,174
• ARC as % of payroll	2.0%	1.8%	1.6%	1.4%

**EARLY RETIREMENT WINDOW STUDY**

**Benefit Payout Projection Comparison  
Continue Blended Premiums With and Without Early Retirement Window**  
(Amounts in \$000's)

Fiscal Year	No Early Retirement Window	Early Retirement Window 10%/2.5% Opt-In			Early Retirement Window 20%/5% Opt-In		
		Cash	I.S.	Total	Cash	I.S.	Total
2007/08	\$ 367	\$ 218	\$ 461	\$ 679	\$ 309	\$ 519	\$ 827
2008/09	355	364	472	836	466	528	995
2009/10	395	-	523	523	-	582	582
2010/11	440	-	576	576	-	638	638
2011/12	492	-	627	627	-	692	692
2012/13	547	-	688	688	-	755	755
2013/14	593	-	734	734	-	801	801
2014/15	671	-	807	807	-	872	872
2015/16	760	-	898	898	-	961	961
2016/17	842	-	979	979	-	1,040	1,040

■ Timing:

- Discuss methods and assumptions August 17, 2007
- Present preliminary results October 2, 2007
- Revised preliminary results November 25, 2009