



San Rafael

Agenda Item No: 6.a

Meeting Date: April 4, 2016

SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: Finance

**Prepared by: Mark Moses
Finance Director**

City Manager Approval: _____

TOPIC: RETIREE MEDICAL ACTUARIAL VALUATION

**SUBJECT: RESOLUTION ACCEPTING THE CITY OF SAN RAFAEL
RETIREE HEALTHCARE PLAN JUNE 30, 2015 ACTUARIAL
VALUATION REPORT**

RECOMMENDATION: ADOPT RESOLUTION

BACKGROUND: The Governmental Accounting Standards Board (GASB) establishes financial accounting and reporting standards for state and local governmental entities. Governments and the accounting industry recognize GASB as the official source of generally accepted accounting principles for state and local government.

Accounting and reporting standards addressing pension obligations have been in place for many years. Outside of pensions, jurisdictions often offer their qualifying, retired employees "Other Post-Employment Benefits (OPEB)," such as medical, dental, vision, life, or other benefits. It should be noted that, in San Rafael, the only OPEB offered is medical. In June 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits *Other Than Pensions*" (GASB 45). GASB 45 was issued "to provide more complete, reliable, and decision-useful financial reporting."

GASB 45 requires the City to engage a certified actuary every two years to calculate several actuarial measures estimating the current and future costs and liabilities of our OPEB. The actuary calculates the unfunded liability, normal costs, and annual required contribution (ARC). GASB 45 does not require jurisdictions to *fund* their OPEBs, but rather to meet *accounting and financial reporting standards*. Once a full accounting of retiree health liability is available, a jurisdiction has an obligation to employees and the community to plan for and manage these costs.

This is the fifth actuarial valuation prepared in compliance with GASB 45. Previous reports were completed for plan valuations as of June 30, 2013, 2011, 2009, and 2007. This valuation includes for the first time a required change in actuarial methodology that recognizes the benefit retirees receive by paying the same premiums as active employees. This change does not have an

impact on the total benefits that will be paid under the plan. However, it does increase the measurement of the liability because under this methodology, a portion of the cost currently associated with active employees is shifted to retirees.

ANALYSIS:

Cost Control

The City has taken a number of actions to control health care costs for both active employees and retirees. Prior to 2010, the City instituted a cafeteria plan approach to employee health care which set a benefit cap by bargaining unit. By City Council Policy, where retiree health benefits are capped, they are no longer subject to increase by CPI or other factors. Lastly, and most importantly from an OPEB perspective, the retiree health benefit for new employees has now been limited to the minimum allowed under our CalPERS health program (currently \$125 per month). These cost reduction measures have significantly reduced the City's unfunded OPEB liability.

Results of Valuation / Funding Policy

The actuarial valuation presented with this report is as of June 30, 2015, and shows the City of San Rafael's total retiree health liability at approximately \$48.2 million, an increase of \$14.7 million over the previous valuation of June 30, 2013. The incorporation of the implied subsidy, coupled with the lowering of the investment return assumption from 7.50% to 7.25%, drove the increase.

The City's retiree healthcare plan's assets are held in an irrevocable OPEB trust under the California Employers' Retiree Benefit Trust Fund (CERBT) managed by CalPERS. The balance in the CERBT account was \$15.6 million at June 30, 2015. This represents a 3.0 million increase from June 30, 2013.

After factoring in the plan assets, the City's net liability for its retiree health plan is approximately \$32.7 million. The Annually Required Contribution (ARC) for fiscal year 2016-2017 is approximately \$3.4 million. Payment of the full ARC each year is projected to reduce the net liability to zero in 19 years.

Since fiscal year 2012-2013, the City has adhered to the budgeting principle of fully funding the ARC. The preliminary fiscal year 2016-2017 City operating budget will continue this funding practice.

Future financial reporting

Governmental Accounting Standards Board Statement No. 75 (GASB 75), which goes into effect in fiscal year 2017-2018, is intended to improve accounting and financial reporting by state and local governments for OPEB costs. Similar to what GASB 68 required for defined benefit pension reporting, GASB 75 will require the presentation of the net OPEB liability on the City-wide financial statements. Last month, City staff approached Bartel Associates and the City's financial auditors, Maze & Associates, to identify the requirements for early implementation. Assuming that there is sufficient, timely implementation guidance from GASB, staff will consult with the Finance Committee and/or Pension Sub-committee regarding the

decision to implement this pronouncement one year early (i.e., for the reporting period ending June 30, 2017).

OPTIONS:

- Adopt the recommendation as reflected in the staff report.
- Request further information.

RECOMMENDED ACTION: Adopt Resolution accepting actuarial valuation report.

ATTACHMENTS:

Resolution

Actuarial Valuation: Retiree Healthcare Plan – June 30, 2015

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN RAFAEL ACCEPTING THE RETIREE HEALTHCARE PLAN JUNE 30, 2015 ACTUARIAL VALUATION REPORT

WHEREAS, the Governmental Accounting Standards Board (GASB) establishes financial accounting and reporting standards for state and local governmental entities, which recognize GASB as the official source of generally accepted accounting principles for state and local government; and

WHEREAS, GASB Statement No. 45 (GASB 45) establishes standards for accounting and financial reporting of “Other Post Employment Benefits” (OPEBs) and requires each public agency to engage a certified actuary to calculate several actuarial measures estimating the current and future costs and liabilities of an agency’s OPEBs; and

WHEREAS, in San Rafael, the only OPEB offered is medical which varies by bargaining unit; and

WHEREAS, the City entered into an agreement with Bartel Associates, LLC to prepare the GASB 45 required compliance report for an OPEB actuarial valuation as of June 30, 2015; and

WHEREAS, on February 25, 2016, a joint, public meeting of the City Council Finance Committee and the Pension/OPEB Sub-committee was held for the purpose of reviewing the report prepared by Bartel Associates, LLC;

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of San Rafael reaffirms the policy to not increase the cap on City contributions to retiree medical premiums and hereby accepts the June 30, 2015 Actuarial Valuation prepared by Bartel Associates, LLC (attached herein).

I, ESTHER C. BEIRNE, Clerk of the City of San Rafael, hereby certify that the foregoing resolution was duly and regularly introduced and adopted at a regular meeting of the City Council of said City held on Monday, the 4th day of April 2016, by the following vote, to wit:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

ESTHER C. BEIRNE, City Clerk



**CITY OF SAN RAFAEL
RETIREE HEALTHCARE PLAN**

BARTHEL
ASSOCIATES, LLC

June 30, 2015 GASB 45 Actuarial Valuation

Doug Pryor, Vice President
Adam Zimmerer, Actuarial Analyst
Tak Frazita, Associate Actuary

Bartel Associates, LLC

March 15, 2016

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BENEFIT SUMMARY

| | Elected Officials, Unrepresented Mid Management & Management | All other Bargaining Units¹ |
|----------------------------|---|---|
| ■ Eligibility ² | ■ Retire directly from City: <ul style="list-style-type: none"> • Age 50 (age 55 if hired \geq 7/1/11 for Miscellaneous) with 10 years service (including reciprocity) or • 30 years service (Miscellaneous), 20 years service (Safety); or • Age 70 • Disability retirement | |
| ■ Benefit | ■ Hired < 1/1/09 Full premium/cap ■ Hired \geq 1/1/09 PEMHCA Min | ■ Hired < 1/1/10 Up to cap ■ Hired \geq 1/1/10 PEMHCA Min ³ |
| ■ Surviving Spouse Benefit | ■ Benefit continues to surviving spouse | |

¹ Annual active conversion of 50 hours of sick leave to HRA (excluded from valuation)

² Age 52 and 5 or age 70 for Miscellaneous PEPRAs members, age 50 and 5 or age 70 for Safety PEPRAs members

³ City match 2% Firefighters salary to HRA (excluded from valuation)



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BENEFIT SUMMARY

| | | | | |
|-------------------|---|---------------|--------------|--------------|
| ■ Medicare Part B | ■ Hired < 4/1/07 Full reimbursement ■ Hired \geq 4/1/07 None | ■ None | | |
| ■ Other OPEB | ■ No Dental, Vision, or Life Benefits | | | |
| ■ Contributions | <u>Fiscal Year</u> | <u>Pay-Go</u> | <u>Trust</u> | <u>Total</u> |
| | 2014/15 | \$ 2,100,000 | \$ 150,000 | \$ 2,250,000 |
| | 2013/14 | 2,100,000 | 500,000 | 2,600,000 |
| | 2012/13 | 2,073,000 | 500,000 | 2,573,000 |
| | 2011/12 | 2,124,000 | - | 2,124,000 |
| | 2010/11 | 1,808,000 | (1,000,000) | 808,000 |
| | 2009/10 | 1,755,000 | (1,000,000) | 755,000 |
| | 2008/09 | 1,686,000 | (1,000,000) | 686,000 |



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BENEFIT SUMMARY

| Bargaining Unit | Monthly Cap | Min Date⁴ |
|---|---|-----------------------------|
| SEIU Child Care Unit | \$543 | 1/1/10 |
| Unrepresented Mid-Management Employees | Retired < 12/1/01: \$442 Retired ≥ 12/1/01: Full prem Hired ≥ 4/1/07: \$600 | 1/1/09 |
| San Rafael Fire Chief Officer's Association | \$557 | 1/1/10 |
| San Rafael Firefighters' Association, I.A.F.F., Local 1775 | \$557 | 1/1/10 |
| San Rafael Police Association | \$386 | 1/1/10 |
| San Rafael Police Mid-Management Association | \$566 | 1/1/10 |
| SEIU 1021 | \$752 | 1/1/10 |
| Public Employees Bargaining Unit (PEU) Local 1 | \$659 | 1/1/10 |
| Unrepresented Management Employees and Council City Clerk and Elected Part-Time City Attorney | Hired < 4/1/07: Full prem. Hired ≥ 4/1/07: \$600 | 1/1/09 |
| Western Council of Engineers (WCE) | \$752 | 1/1/10 |

⁴ Employees hired on or after date receive only PEMHCA minimum (\$122 in 2015, \$125 in 2016).



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BENEFIT SUMMARY

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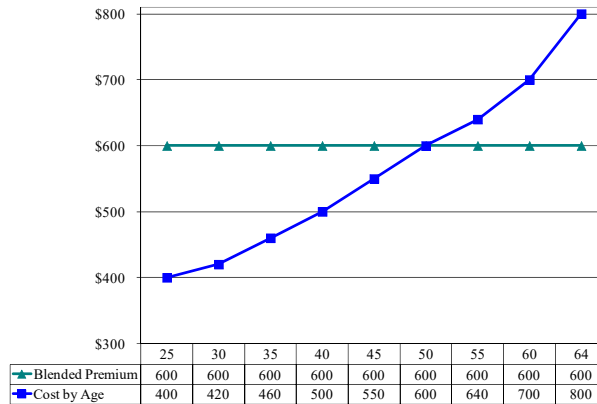


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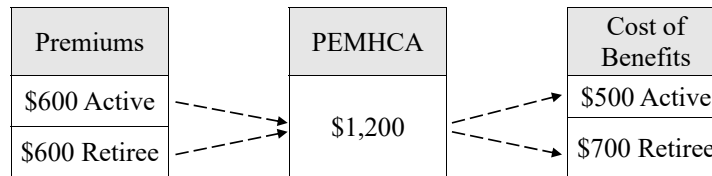


IMPLIED SUBSIDY

- For PEMHCA, employer cost for allowing retirees to participate at active rates.
 - General trend:



- Sample active age 40, retire age 60:



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IMPLIED SUBSIDY

- GASB 45 defers to actuarial standards of practice.
- Prior Actuarial Standards of Practice No. 6⁵ (ASOP 6) allowed community rated plans to value liability using premiums, resulting in no implied subsidy.
- In May 2014, Actuarial Standards Board released revised ASOP 6:
 - Requires implied subsidy valued for community rated plans such as PEMHCA.
 - Timing: effective with all valuations on or after March 31, 2015
- June 30, 2015 valuation includes the implied subsidy.

⁵ Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions.



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DATA SUMMARY

Actives

| | 6/30/07 | 6/30/09⁶ | 6/30/11⁷ | 6/30/13⁸ | 6/30/15 |
|---------------------|----------------|----------------------------|----------------------------|----------------------------|----------------|
| ■ Count | | | | | |
| • Cap | 408 | 377 | 326 | 294 | 261 |
| • PEMHCA Min | <u>n/a</u> | <u>4</u> | <u>35</u> | <u>76</u> | <u>115</u> |
| • Total | 408 | 381 | 361 | 370 | 376 |
| ■ Average | | | | | |
| • Age | 44.7 | 44.3 | 44.6 | 44.0 | 44.4 |
| • City Service | 11.6 | 10.7 | 10.9 | 11.1 | 11.2 |
| • Pay | \$72,800 | \$77,900 | \$77,000 | \$77,900 | \$ 80,700 |
| ■ Total Pay (000's) | 29,719 | 29,689 | 27,784 | 28,808 | 30,346 |

⁶ Data as of April 2010.

⁷ Data as of December 2011.

⁸ Data as of October 2013.



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DATA SUMMARY

Retirees

| | 6/30/07 | 6/30/09⁹ | 6/30/11¹⁰ | 6/30/13¹¹ | 6/30/15 |
|-------------------|----------------|----------------------------|-----------------------------|-----------------------------|----------------|
| ■ Count | 247 | 291 | 308 | 328 | 323 |
| ■ Average | | | | | |
| • Age | 66.6 | 65.9 | 66.7 | 67.4 | 68.7 |
| • Retirement Age | 56.6 | 53.9 | 54.7 | 55.2 | 55.3 |
| • Monthly Benefit | \$ 480 | \$ 537 | \$ 573 | \$ 554 | \$ 629 |

⁹ Data as of April 2010.

¹⁰ Data as of December 2011.

¹¹ Data as of October 2013.



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|---------------------|--|--|
| ■ Valuation Date | <ul style="list-style-type: none"> • June 30, 2013 • 2014/15 & 2015/16 | <ul style="list-style-type: none"> • June 30, 2015 • 2016/17 & 2017/18 |
| ■ Funding Policy | <ul style="list-style-type: none"> • Pay-go with no CERBT account reimbursement • Total payment not < ARC | <ul style="list-style-type: none"> • Same |
| ■ General Inflation | <ul style="list-style-type: none"> • 3.25% | <ul style="list-style-type: none"> • 2.75% |
| ■ Discount Rate | <ul style="list-style-type: none"> • 7.50% (CERBT MFAD 0.11%) | <ul style="list-style-type: none"> • 7.25% |
| ■ Payroll Increases | <ul style="list-style-type: none"> • Aggregate increases – 3.25% • Merit Increases – Same as 6/30/2011 MCERA assumptions | <ul style="list-style-type: none"> • Aggregate increases – 3.00% • Merit Increases – Same as 6/30/2014 MCERA assumptions |



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ACTUARIAL ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2013 Valuation | | June 30, 2015 Valuation | | |
|-----------------------------------|---|--|--|--|----------------------|
| | <u>Year</u> | <u>Non-Medicare All Plans</u> | <u>Year</u> | <u>Non-Medicare All Plans</u> | |
| ■ Healthcare Trend | 2013 | Actual 2013 premiums | 2013 | n/a | |
| | 2014 | Actual 2014 premiums | 2014 | n/a | |
| | 2015 | 8.0% | 8.3% | 2015 | Actual 2015 premiums |
| | 2016 | 7.5% | 7.8% | 2016 | Actual 2016 premiums |
| | 2017 | 7.0% | 7.2% | 2017 | 6.5% 6.7% |
| | 2018 | 6.5% | 6.7% | 2018 | 6.0% 6.2% |
| | 2019 | 6.0% | 6.1% | 2019 | 5.5% 5.6% |
| | 2020 | 5.5% | 5.6% | 2020 | 5.0% 5.1% |
| | 2021+ | 5.0% | 5.0% | 2021+ | 4.5% 4.5% |
| | ■ Cap Increases | <ul style="list-style-type: none"> • None | | <ul style="list-style-type: none"> • Same | |
| ■ PPACA High Cost Plan Excise Tax | <ul style="list-style-type: none"> • n/a | | <ul style="list-style-type: none"> • 2.0% cash subsidy load | | |



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ACTUARIAL METHODS

| Method | June 30, 2013 Valuation | June 30, 2015 Valuation |
|-----------------------------|---|---|
| ■ Cost Method | ■ Entry Age Normal | ■ Same |
| ■ Amortization Method | ■ Level percentage of payroll | ■ Same |
| ■ Actuarial Value of Assets | ■ Investment gains and losses spread over 5-year rolling period ■ Not less than 80% nor more than 120% of market value | ■ Investment gains and losses spread over 5-year rolling period ■ Not less than 80% nor more than 120% of market value |
| ■ Amortization Period | ■ 21-year fixed (closed) period for 6/30/14 UAAL | ■ 19-year fixed (closed) period for 6/30/16 UAAL |



ACTUARIAL METHODS

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ASSETS

Market Value of Plan Assets¹²
(000's Omitted)

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--------------------------------------|----------|----------|-----------|-----------|-----------|-----------|
| ■ MVA (beginning of year) | \$ 9,568 | \$ 9,585 | \$ 10,889 | \$ 11,178 | \$ 12,666 | \$ 15,492 |
| • Contribution | - | - | - | 500 | 500 | 150 |
| • Benefit Payments | (1,000) | (1,000) | - | - | - | - |
| • Expenses | n/a | n/a | n/a | 0 | (19) | (16) |
| • Investment Return | 1,017 | 2,303 | 289 | 988 | 2,346 | (19) |
| ■ MVA (end of year) | 9,585 | 10,889 | 11,178 | 12,666 | 15,492 | 15,608 |
| ■ Approximate Return | 10.6% | 24.0% | 2.7% | 8.8% | 18.4% | -0.2% |

¹² 401(h) account transferred to CERBT 6/26/13.

Amounts revised from previous valuation based on updated information provided by City.



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ASSETS

Actuarial Value of Plan Assets¹³
(000's Omitted)

| | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| ■ AVA (eoy) | \$ 12,773 | \$ 11,008 | \$ 10,861 | \$ 11,130 | \$ 12,505 | \$ 14,253 |
| • Contribution | - | - | - | 500 | 500 | 150 |
| • Benefit Payments | (1,000) | (1,000) | - | - | - | - |
| • Credited Return | (765) | 853 | 269 | 875 | 1,248 | 1,096 |
| ■ AVA (eoy) | 11,008 | 10,861 | 11,130 | 12,505 | 14,253 | 15,499 |
| ■ Approximate Return | (6.0%) | 7.7% | 2.5% | 7.9% | 10.0% | 7.7% |

¹³ MCERA asset smoothing through 6/30/12. Rolling 5 year smoothing starting in 2012/13.



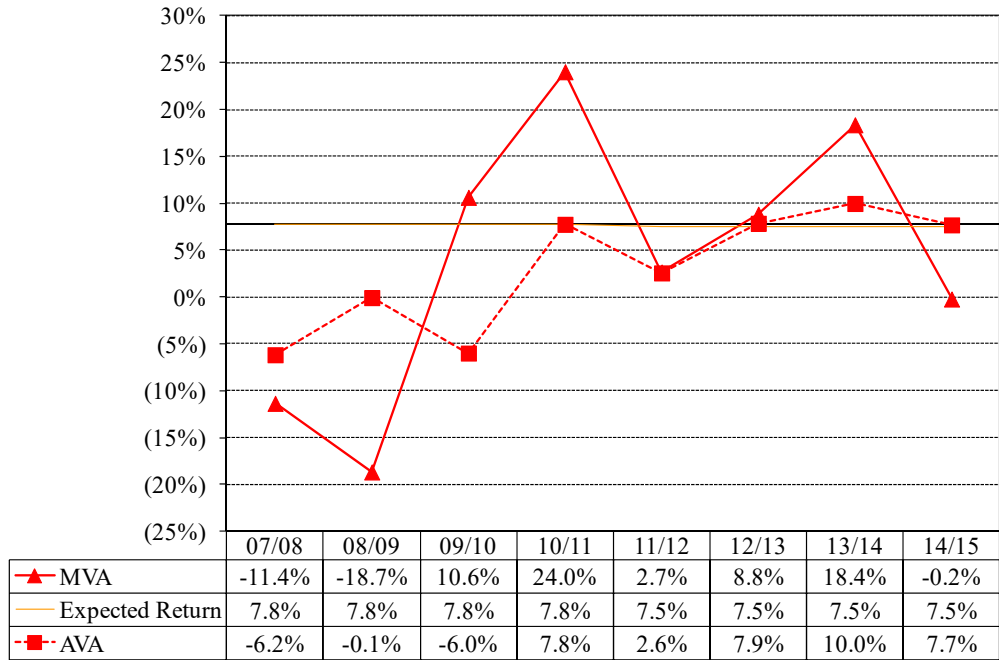
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ASSETS

Historical Returns



ASSETS

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RESULTS

Actuarial Obligations (000's Omitted)

| | 6/30/07 | 6/30/09 | 6/30/11 | 6/30/13 | 6/30/15 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| ■ Present Value of Benefits | | | | | |
| • Actives | \$ 41,880 | \$ 37,131 | \$ 14,105 | \$ 12,988 | \$ 19,720 |
| • Retirees | <u>27,714</u> | <u>35,196</u> | <u>25,802</u> | <u>24,462</u> | <u>34,358</u> |
| • Total | 69,594 | 72,327 | 39,907 | 37,450 | 54,078 |
| ■ Actuarial Accrued Liability | | | | | |
| • Actives | 25,053 | 21,066 | 9,354 | 9,087 | 13,868 |
| • Retirees | <u>27,714</u> | <u>35,196</u> | <u>25,802</u> | <u>24,462</u> | <u>34,358</u> |
| • Total | 52,767 | 56,262 | 35,156 | 33,549 | 48,226 |
| ■ Assets | <u>14,563</u> | <u>12,773</u> | <u>9,861</u> | <u>12,505</u> | <u>15,499</u> |
| ■ Unfunded Liability | 38,204 | 43,489 | 25,295 | 21,044 | 32,727 |
| ■ Normal Cost | 2,022 | 1,805 | 706 | 580 | 846 |
| ■ Pay-Go Cost | 1,686 | 2,045 | 2,282 | 2,256 | 3,101 |



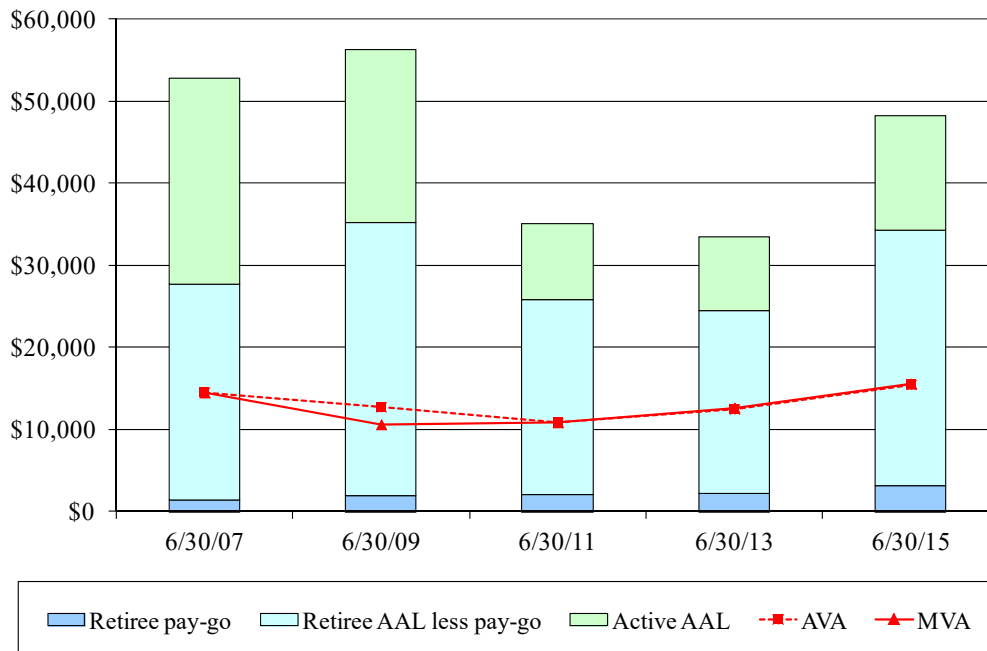
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Historical Funded Status (000's Omitted)



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RESULTS

Actuarial Accrued Liability Gain/Loss
(000's Omitted)

| | AAL (Gain)/Loss |
|---------------------------------|----------------------------|
| ■ Actual @ 6/30/13 | \$ 33,549 |
| ■ Expected @ 6/30/15 | 35,179 |
| ■ Changes | |
| • Premiums < Expected | (884) |
| • Updated Actuarial Assumptions | (365) |
| • Excise Tax | 665 |
| • Discount Rate | 891 |
| • Implied Subsidy | 13,405 |
| • Demographic/Other | <u>(664)</u> |
| • Total | 12,157 |
| ■ Actual @ 6/30/15 | 48,226 |



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RESULTS

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RESULTS

Annual Required Contribution (ARC)¹⁴
(000's Omitted)

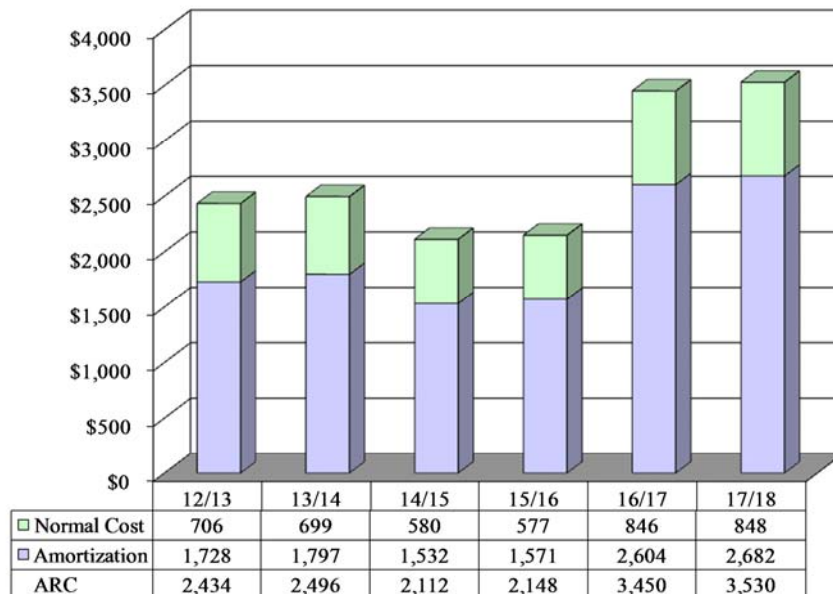
| | 6/30/2013 Val | | 6/30/2015 Val | |
|--|---------------|--------------|---------------|--------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| ■ Annual Required Contribution - \$ | | | | |
| • Normal Cost | \$ 580 | \$ 577 | \$ 846 | \$ 848 |
| • UAAL Amortization | <u>1,532</u> | <u>1,571</u> | <u>2,604</u> | <u>2,682</u> |
| • Total ARC | 2,112 | 2,148 | 3,450 | 3,530 |
| ■ Projected Payroll | 29,744 | 30,711 | 31,256 | 32,194 |
| ■ Annual Required Contribution - % | | | | |
| • Normal Cost | 1.9% | 1.9% | 2.7% | 2.6% |
| • UAAL Amortization | <u>5.2%</u> | <u>5.1%</u> | <u>8.3%</u> | <u>8.3%</u> |
| • Total ARC | 7.1% | 7.0% | 11.0% | 11.0% |

¹⁴ Actuarially Determined Contribution (ADC) for 2017/18.



RESULTS

Annual Required Contribution (ARC)¹⁵
(000's Omitted)



¹⁵ Actuarially Determined Contribution (ADC) for 2017/18.



RESULTS

Amortization Bases
(000's Omitted)

| | 6/30/2013 Val | | 6/30/2015 Val | |
|------------------------------|---------------|--------------|---------------|--------------|
| | 6/30/14 | 6/30/15 | 6/30/16 | 6/30/17 |
| ■ Outstanding Balance | | | | |
| • Initial UAAL | \$ 45,116 | \$ 45,143 | \$ 45,064 | \$ 44,762 |
| • (Gain)/Loss | | | | |
| ➤ 2009 val | (4,307) | (4,310) | (4,302) | (4,273) |
| ➤ 2011 val | (26,749) | (26,765) | (26,718) | (26,539) |
| ➤ 2013 val | (2,862) | (2,864) | (2,859) | (2,840) |
| ➤ 2015 val | - | - | 12,608 | 12,523 |
| • NOO (projected) | <u>9,400</u> | <u>9,262</u> | <u>9,068</u> | <u>9,007</u> |
| • Total | 20,598 | 20,467 | 32,862 | 32,640 |



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RESULTS

Amortization Payments
(000's Omitted)

| | 6/30/2013 Val | | 6/30/2015 Val | |
|-------------------|---------------|------------|---------------|------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
| ■ Payment | | | | |
| • Initial UAAL | \$ 3,356 | \$ 3,465 | \$ 3,569 | \$ 3,676 |
| • (Gain)/Loss | | | | |
| ➤ 2009 val | (320) | (331) | (341) | (351) |
| ➤ 2011 val | (1,990) | (2,054) | (2,116) | (2,180) |
| ➤ 2013 val | (213) | (220) | (226) | (233) |
| ➤ 2015 val | - | - | 999 | 1,029 |
| • NOO (projected) | <u>699</u> | <u>711</u> | <u>719</u> | <u>740</u> |
| • Total | 1,532 | 1,571 | 2,604 | 2,682 |
| • Average years | 21.0 | 20.0 | 19.0 | 18.0 |



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RESULTS

Actuarial Obligations – June 30, 2015
(000's Omitted)

| | Cash Subsidy | Implied Subsidy | Total |
|---|-------------------------|----------------------------|---------------|
| ■ Present Value of Benefits | | | |
| • Actives | \$ 13,497 | \$ 6,223 | \$ 19,720 |
| • Retirees | <u>25,337</u> | <u>9,021</u> | <u>34,358</u> |
| • Total | 38,834 | 15,244 | 54,078 |
| ■ Actuarial Accrued Liability (AAL) | | | |
| • Actives | 9,484 | 4,384 | 13,868 |
| • Retirees | <u>25,337</u> | <u>9,021</u> | <u>34,358</u> |
| • Total | 34,821 | 13,405 | 48,226 |
| ■ Actuarial Value of Assets¹⁶ | <u>15,499</u> | - | <u>15,499</u> |
| ■ Unfunded AAL | 19,322 | 13,405 | 32,727 |
| ■ 2016/17 Normal Cost | 612 | 234 | 846 |
| ■ 2016/17 Pay-As-You-Go Cost | 2,319 | 782 | 3,101 |

¹⁶ AVA allocated to cash subsidy.



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RESULTS

Annual Required Contribution (ARC) – Fiscal Year 2016/17
(000's Omitted)

| | Cash Subsidy | Implied Subsidy | Total |
|----------------------------|-------------------------|----------------------------|--------------|
| ■ ARC - \$ | | | |
| • Normal Cost | \$ 612 | \$ 234 | \$ 846 |
| • UAAL Amortization | <u>1,504</u> | <u>1,100</u> | <u>2,604</u> |
| • Total | 2,116 | 1,334 | 3,450 |
| ■ Projected Payroll | 31,256 | 31,256 | 31,256 |
| ■ ARC - % | | | |
| • Normal Cost | 2.0% | 0.7% | 2.7% |
| • UAAL Amortization | <u>4.8%</u> | <u>3.5%</u> | <u>8.3%</u> |
| • Total | 6.8% | 4.3% | 11.0% |



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RESULTS

Estimated 2016/17 Implied Subsidy Transfer for Medical Coverage
For Illustrative Purposes Only
(000's Omitted)

| Before Implied Subsidy | Actives | Retirees | Total |
|-------------------------------------|----------------|-----------------|--------------|
| ■ Total Premium ¹⁷ | \$ 5,000 | \$ 3,000 | \$ 8,000 |
| ■ Member Contribution ¹⁸ | - | (681) | (681) |
| ■ Employer Contribution | 5,000 | 2,319 | 7,319 |

| After Implied Subsidy | Actives | Retirees | Total |
|------------------------------|----------------|-----------------|--------------|
| ■ Total Premium | 5,000 | 3,000 | 8,000 |
| ■ Member Contribution | - | (681) | (681) |
| ■ Implied Subsidy Transfer | (782) | 782 | - |
| ■ Employer Contribution | 4,218 | 3,101 | 7,319 |

¹⁷ Estimated premium based on the 6/30/15 participant data, 2016 premiums and estimated 2017 premiums

¹⁸ Assumes no member contribution for actives



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RESULTS

Benefit Payments Projection
(000's Omitted)

| FYE June 30, | Benefit Payments | | |
|-----------------------------|-------------------------|----------------------------|--------------|
| | Cash | Implied Subsidy | Total |
| 2017 | \$ 2,319 | \$ 782 | \$ 3,101 |
| 2018 | 2,418 | 771 | 3,189 |
| 2019 | 2,534 | 806 | 3,340 |
| 2020 | 2,655 | 906 | 3,561 |
| 2021 | 2,754 | 948 | 3,702 |
| 2022 | 2,811 | 921 | 3,732 |
| 2023 | 2,881 | 950 | 3,832 |
| 2024 | 2,967 | 991 | 3,958 |
| 2025 | 3,014 | 1,056 | 4,070 |
| 2026 | 3,063 | 1,100 | 4,163 |



March 15, 2016



RESULTS

Net OPEB Obligation (NOO)
(000's Omitted)

| | Actual 2014/15 | Estimated | | |
|--|-------------------|--------------|--------------|------------|
| | | 2015/16 | 2016/17 | 2017/18 |
| ■ NOO at Beginning of Year | \$ 9,296 | \$ 9,164 | \$ 9,068 | \$ 9,007 |
| ■ Annual OPEB Cost | | | | |
| • Annual Required Contribution ¹⁹ | 2,112 | 2,148 | 3,450 | 3,530 |
| • Interest on NOO | 705 | 687 | 657 | n/a |
| • Adjustment for NOO | <u>(699)</u> | <u>(704)</u> | <u>(719)</u> | <u>n/a</u> |
| • Annual OPEB Cost | 2,118 | 2,131 | 3,389 | n/a |
| ■ Contributions | | | | |
| • Cash Benefit Payments | 2,100 | 2,229 | 2,319 | 2,418 |
| • Implied Subsidy Benefit Payments ²⁰ | - | - | 782 | 771 |
| • Trust Pre-Funding | <u>150</u> | <u>-</u> | <u>349</u> | <u>341</u> |
| • Total Contribution | 2,250 | 2,229 | 3,450 | 3,530 |
| ■ NOO at End of Year | 9,164 | 9,067 | 9,007 | n/a |

¹⁹ Actuarially Determined Contribution (ADC) for 2017/18.

²⁰ Cash payments estimated after 2014/15. Implied subsidy payments listed here should be used in CAFR.



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RESULTS

NOO Projection
(000's Omitted)

| Fiscal Year | Beginning of Year Net OPEB Obligation | Contribution ²¹ | | | Annual OPEB Cost (AOC) | Payroll | Contribution as % of Payroll |
|-------------|--|----------------------------|----------|---------------|------------------------|-----------|------------------------------|
| | | Benefit Pmts | Pre-Fund | Total Contrib | | | |
| 2016/17 | \$ 9,068 | \$ 3,101 | \$ 349 | \$ 3,450 | \$ 3,389 | \$ 31,256 | 11.0% |
| 2017/18 | 9,007 | 3,189 | 341 | 3,530 | n/a | 32,194 | 11.0% |
| 2018/19 | n/a | 3,340 | 271 | 3,611 | n/a | 33,160 | 10.9% |
| 2019/20 | n/a | 3,561 | 132 | 3,692 | n/a | 34,155 | 10.8% |
| 2020/21 | n/a | 3,702 | 73 | 3,775 | n/a | 35,179 | 10.7% |
| 2021/22 | n/a | 3,732 | 126 | 3,858 | n/a | 36,235 | 10.6% |
| 2022/23 | n/a | 3,832 | 114 | 3,946 | n/a | 37,322 | 10.6% |
| 2023/24 | n/a | 3,958 | 78 | 4,036 | n/a | 38,441 | 10.5% |
| 2024/25 | n/a | 4,070 | 59 | 4,129 | n/a | 39,595 | 10.4% |
| 2025/26 | n/a | 4,163 | 62 | 4,225 | n/a | 40,782 | 10.4% |

²¹ Based on benefits paid to retirees.



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RESULTS

Actuarial Obligations – June 30, 2015
(000's Omitted)

| | Miscellaneous | Safety | Total |
|-------------------------------|---------------|---------------|---------------|
| ■ PVPB | | | |
| • Actives | \$ 13,517 | \$ 6,203 | \$ 19,720 |
| • Retirees | <u>18,371</u> | <u>15,987</u> | <u>34,358</u> |
| • Total | 31,888 | 22,190 | 54,078 |
| ■ AAL | | | |
| • Actives | 9,807 | 4,061 | 13,868 |
| • Retirees | <u>18,371</u> | <u>15,987</u> | <u>34,358</u> |
| • Total | 28,178 | 20,048 | 48,226 |
| ■ Assets²² | <u>9,056</u> | <u>6,443</u> | <u>15,499</u> |
| ■ Unfunded Liability | 19,122 | 13,605 | 32,727 |
| ■ Normal Cost (16/17) | 572 | 273 | 846 |
| ■ Pay Go Costs (16/17) | 1,725 | 1,376 | 3,101 |

²² For illustrative purposes, assets allocated on AAL.



March 15, 2016

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RESULTS

Annual Required Contribution (ARC) – Fiscal Year 2016/17
(000's Omitted)

| | Miscellaneous | Safety | Total |
|----------------------------------|---------------|--------------|--------------|
| ■ ARC- \$ | | | |
| • Normal Cost | \$ 572 | \$ 273 | \$ 846 |
| • UAL Amortization ²³ | <u>1,531</u> | <u>1,073</u> | <u>2,604</u> |
| • Total ARC | 2,104 | 1,345 | 3,450 |
| ■ Projected Payroll | 16,918 | 14,339 | 31,256 |
| ■ ARC - % | | | |
| • Normal Cost | 3.4% | 1.9% | 2.7% |
| • UAL Amortization | <u>9.0%</u> | <u>7.5%</u> | <u>8.3%</u> |
| • Total ARC | 12.4% | 9.4% | 11.0% |

²³ For illustrative purposes, amortization amount allocated on AAL.



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RESULTS

Parking Fund/SRSD Results

Participant Counts²⁴

| | Parking Fund | SRSD | Other | Total |
|------------|---------------------|-------------|--------------|--------------|
| ■ Counts | | | | |
| • Actives | 15 | 15 | 346 | 376 |
| • Retirees | - | <u>2</u> | <u>321</u> | <u>323</u> |
| • Total | 15 | 17 | 667 | 699 |

²⁴ Counts assigned to groups based upon City research of personnel and financial records for each participant.



RESULTS

Parking Fund/SRSD Results

Participant Statistics

| | Parking Fund | SRSD | Other | Total |
|---------------------|---------------------|-------------|--------------|--------------|
| ■ Actives | | | | |
| • Averages | | | | |
| ➤ Age | 52.2 | 51.0 | 43.8 | 44.4 |
| ➤ Pay | \$58,100 | \$84,800 | \$81,500 | \$80,700 |
| • Service | | | | |
| ➤ Allocated average | 9.1 | 12.8 | 11.2 | 11.2 |
| ➤ Average in group | 9.6 | 12.3 | 11.2 | 11.2 |
| • Total Pay (000's) | \$744 | \$817 | \$28,785 | \$30,346 |
| ■ Retirees | | | | |
| • Average Age | n/a | 67.2 | 68.8 | 68.7 |



RESULTS

Parking Fund/SRSD Results

**Actuarial Obligations – June 30, 2015
(000's Omitted)**

| | Parking Fund | SRSD |
|-------------------------------|---------------------|-------------|
| ■ PVPB | | |
| • Actives | \$ 723 | \$ 1,452 |
| • Retirees | <u>-</u> | <u>395</u> |
| • Total | 723 | 1,847 |
| ■ AAL | | |
| • Actives | 455 | 1,081 |
| • Retirees | <u>-</u> | <u>395</u> |
| • Total | 455 | 1,476 |
| ■ Assets²⁵ | <u>146</u> | <u>474</u> |
| ■ Unfunded Liability | 309 | 1,002 |
| ■ Pay Go Costs (16/17) | 9 | 39 |

²⁵ For illustrative purposes, assets allocated on AAL.



RESULTS

Parking Fund/SRSD Results

**Annual Required Contribution (ARC) – Fiscal Year 2016/17
(000's Omitted)**

| | Parking Fund | SRSD |
|----------------------------------|---------------------|-------------|
| ■ ARC- \$ | | |
| • Normal Cost | \$ 42 | \$ 57 |
| • UAL Amortization ²⁶ | <u>28</u> | <u>84</u> |
| • Total ARC | 70 | 142 |
| ■ Projected Payroll | 878 | 1,341 |
| ■ ARC - % | | |
| • Normal Cost | 4.8% | 4.3% |
| • UAL Amortization | <u>3.2%</u> | <u>6.3%</u> |
| • Total ARC | 7.9% | 10.6% |

²⁶ For illustrative purposes, amortization amount allocated on AAL.



RESULTS

Discount Rate Sensitivity
(000's Omitted)

| | 6.25% | 7.25% | 8.25% |
|----------------------------------|---------------|---------------|---------------|
| ■ PVPB on 6/30/15 | \$ 61,585 | 54,078 | 47,996 |
| ■ Funded Status @ 6/30/15 | | | |
| ● AAL | 53,871 | 48,226 | 43,503 |
| ● Assets | <u>15,499</u> | <u>15,499</u> | <u>15,499</u> |
| ● Unfunded AAL | 38,372 | 32,727 | 28,004 |
| ■ 2016/17 ARC | | | |
| ● Normal Cost | \$ 1,035 | \$ 846 | \$ 697 |
| ● UAAL Amort. | <u>2,812</u> | <u>2,604</u> | <u>2,412</u> |
| ● Total ARC | 3,848 | 3,450 | 3,108 |
| ● ARC as % of Pay | 12.3% | 11.0% | 9.9% |



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RESULTS

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ACTUARIAL CERTIFICATION

This report presents the City of San Rafael 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, 2013 Benefit Obligations,
- Determine the 2016/17 Annual Required Contributions under GASB 45,
- Determine the Plan's June 30, 2013 Funded Status, and
- Calculate the 2016/17 and 2017/18 Actuarially Determined 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 principals and practices. Additionally, in our opinion, actuarial methods and assumptions



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ACTUARIAL CERTIFICATION

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,

A handwritten signature in blue ink that reads 'Doug Pryor'.

Doug Pryor, ASA, EA, MAAA
Vice President
Bartel Associates, LLC
March 15, 2016



March 15, 2016

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PREMIUMS

2015 PEMHCA Monthly Premiums
Bay Area

| Medical Plan | Non-Medicare Eligible | | | Medicare Eligible | | |
|----------------------|-----------------------|-------------|-------------|-------------------|-----------|-------------|
| | Single | 2-Party | Family | Single | 2-Party | Family |
| Anthem Select | \$ 662.41 | \$ 1,324.82 | \$ 1,722.27 | \$ 445.38 | \$ 890.76 | \$ 1,336.14 |
| Anthem Traditional | 827.57 | 1,655.14 | 2,151.68 | 445.38 | 890.76 | 1,336.14 |
| Blue Shield Access+ | 928.87 | 1,857.74 | 2,415.06 | 352.63 | 705.26 | 1,057.89 |
| Blue Shield NetValue | 870.60 | 1,741.20 | 2,263.56 | 352.63 | 705.26 | 1,057.89 |
| Kaiser | 714.45 | 1,428.90 | 1,857.57 | 295.51 | 591.02 | 886.53 |
| UnitedHealthcare | 850.67 | 1,701.34 | 2,211.74 | 267.41 | 534.82 | 802.23 |
| PERS Choice | 700.84 | 1,401.68 | 1,822.18 | 339.47 | 678.94 | 1,018.41 |
| PERS Select | 690.43 | 1,380.86 | 1,795.12 | 339.47 | 678.94 | 1,018.41 |
| PERSCare | 775.08 | 1,550.16 | 2,015.21 | 368.76 | 737.52 | 1,106.28 |
| PORAC | 675.00 | 1,292.00 | 1,642.00 | 402.00 | 802.00 | 1,281.00 |



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PREMIUMS

2016 PEMHCA Monthly Premiums
Bay Area

| Medical Plan | Non-Medicare Eligible | | | Medicare Eligible | | |
|----------------------|-----------------------|-------------|-------------|-------------------|-----------|-----------|
| | Single | 2-Party | Family | Single | 2-Party | Family |
| Anthem Select | \$ 721.79 | \$ 1,443.58 | \$ 1,876.65 | n/a | n/a | n/a |
| Anthem Traditional | 855.42 | 1,710.84 | 2,224.09 | n/a | n/a | n/a |
| Blue Shield Access+ | 1,016.18 | 2,032.36 | 2,642.07 | n/a | n/a | n/a |
| Blue Shield NetValue | 1,033.86 | 2,067.72 | 2,688.04 | n/a | n/a | n/a |
| Health Net SmartCare | 808.44 | 1,616.88 | 2,101.94 | n/a | n/a | n/a |
| Kaiser | 746.47 | 1,492.94 | 1,940.82 | \$ 297.23 | \$ 594.46 | \$ 891.69 |
| UnitedHealthcare | 955.44 | 1,910.88 | 2,484.14 | 320.98 | 641.96 | 962.94 |
| PERS Choice | 798.36 | 1,596.72 | 2,075.74 | 366.38 | 732.76 | 1,099.14 |
| PERS Select | 730.07 | 1,460.14 | 1,898.18 | 366.38 | 732.76 | 1,099.14 |
| PERSCare | 889.27 | 1,778.54 | 2,312.10 | 408.04 | 816.08 | 1,224.12 |
| PORAC | 699.00 | 1,399.00 | 1,789.00 | 442.00 | 881.00 | 1,408.00 |



March 15, 2016

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PARTICIPANT STATISTICS

Participant Statistics
June 30, 2015

| | Miscellaneous | Police | Fire | Total |
|----------------------------------|---------------|------------|------------|-----------|
| ■ Actives | | | | |
| • Count | 248 | 64 | 64 | 376 |
| • Average Age | 46.8 | 40.5 | 38.9 | 44.4 |
| • Average Service | 11.3 | 12.2 | 9.5 | 11.2 |
| • Average Pay | \$ 66,200 | \$ 105,800 | \$ 111,800 | \$ 80,700 |
| • Payroll (\$000s) | 16,425 | 6,769 | 7,152 | 30,346 |
| ■ Retirees | | | | |
| ➤ Count < 65 | 55 | 23 | 44 | 122 |
| ➤ Count ≥ 65 | 109 | 39 | 53 | 201 |
| ➤ Total | 164 | 62 | 97 | 323 |
| • Average Age | 69.9 | 67.1 | 67.8 | 68.7 |
| • Average Ret. Age ²⁷ | 58.2 | 50.8 | 53.7 | 55.4 |

²⁷ Excludes 32 surviving spouses



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PARTICIPANT STATISTICS

Participant Statistics
June 30, 2013

| | Miscellaneous | Police | Fire | Total |
|----------------------------------|---------------|------------|------------|------------|
| ■ Actives | | | | |
| • Count | 244 | 62 | 64 | 370 |
| • Average Age | 46.5 | 39.9 | 38.6 | 44.0 |
| • Average Service | 11.5 | 11.4 | 9.4 | 11.1 |
| • Average Pay | \$ 64,192 | \$ 103,374 | \$ 105,255 | \$ 77,860 |
| • Payroll (\$000s) | 15,663 | 6,409 | 6,736 | 28,808 |
| ■ Retirees | | | | |
| ➤ Count < 65 | 60 | 34 | 49 | 143 |
| ➤ Count ≥ 65 | <u>99</u> | <u>32</u> | <u>54</u> | <u>185</u> |
| ➤ Total | 159 | 66 | 103 | 328 |
| • Average Age | 68.7 | 65.0 | 66.8 | 67.4 |
| • Average Ret. Age ²⁸ | 57.9 | 50.8 | 53.7 | 55.2 |

²⁸ Excludes 35 surviving spouses



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PARTICIPANT STATISTICS

Medical Plan Participation²⁹

| Medical Plan | Actives | Retirees | | |
|----------------------|-------------|-------------|-------------|-------------|
| | | < 65 | ≥ 65 | Total |
| Anthem Traditional | 1% | 0% | 0% | 0% |
| Blue Shield Access+ | 13% | 20% | 19% | 19% |
| Blue Shield NetValue | 4% | 2% | 0% | 1% |
| Kaiser | 72% | 54% | 45% | 48% |
| PERS Choice | 3% | 2% | 11% | 8% |
| PERS Select | 1% | 1% | 0% | 1% |
| PERS Care | 1% | 5% | 24% | 16% |
| PORAC | 5% | 16% | 1% | 7% |
| Total | 100% | 100% | 100% | 100% |

²⁹ Excludes waived participants.



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PARTICIPANT STATISTICS

Active Medical Coverage

| Medical Plan | Single | 2-Party | Family | Waived | Total |
|----------------------|------------|-----------|------------|-----------|------------|
| Anthem Traditional | - | 1 | 2 | - | 3 |
| Blue Shield Access+ | 16 | 5 | 17 | - | 38 |
| Blue Shield NetValue | 5 | 3 | 4 | - | 12 |
| Kaiser | 94 | 39 | 78 | - | 211 |
| PERS Choice | 3 | 2 | 4 | - | 9 |
| PERS Select | - | 1 | 1 | - | 2 |
| PERSCare | 1 | 1 | 2 | - | 4 |
| PORAC | 4 | 2 | 7 | - | 13 |
| Waived | - | - | - | 84 | 84 |
| Total | 123 | 54 | 115 | 84 | 376 |



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PARTICIPANT STATISTICS

Retiree Medical Coverage – Under Age 65

| Medical Plan | Single | 2-Party | Family | Total |
|----------------------|---------------|----------------|---------------|--------------|
| Blue Shield Access+ | 16 | 4 | 4 | 24 |
| Blue Shield NetValue | 1 | 1 | 1 | 3 |
| Kaiser | 32 | 33 | 1 | 66 |
| PERS Choice | 3 | - | - | 3 |
| PERS Select | 1 | - | - | 1 |
| PERSCare | 1 | 4 | 1 | 6 |
| PORAC | 5 | 9 | 5 | 19 |
| Total | 59 | 51 | 12 | 122 |



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PARTICIPANT STATISTICS

Retiree Medical Coverage – Over Age 65

| Medical Plan | Single | 2-Party | Family | Total |
|---------------------|---------------|----------------|---------------|--------------|
| Blue Shield Access+ | 18 | 20 | - | 38 |
| Kaiser | 44 | 44 | 3 | 91 |
| PERS Choice | 11 | 11 | - | 22 |
| PERS Select | 1 | - | - | 1 |
| PERSCare | 32 | 15 | - | 47 |
| PORAC | - | 1 | 1 | 2 |
| Total | 106 | 91 | 4 | 201 |



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PARTICIPANT STATISTICS

Actives by Age and City Service
Miscellaneous

| Age | City Service | | | | | | | Total |
|-------|--------------|-----|-----|-------|-------|-------|------|-------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 4 | 6 | - | - | - | - | - | 10 |
| 25-29 | 6 | 9 | 5 | - | - | - | - | 20 |
| 30-34 | 7 | 7 | 4 | 2 | 1 | - | - | 21 |
| 35-39 | 4 | 7 | 10 | 2 | 3 | - | - | 26 |
| 40-44 | 2 | 4 | 9 | 10 | 2 | 1 | - | 28 |
| 45-49 | 2 | 1 | 8 | 6 | 5 | 6 | 3 | 31 |
| 50-54 | 4 | 7 | 4 | 5 | 7 | 3 | 11 | 41 |
| 55-59 | 1 | 1 | 11 | 6 | 11 | 2 | 7 | 39 |
| 60-64 | - | 1 | 3 | 7 | 6 | 2 | 3 | 22 |
| ≥ 65 | - | - | 2 | 3 | 2 | 1 | 2 | 10 |
| Total | 30 | 43 | 56 | 41 | 37 | 15 | 26 | 248 |



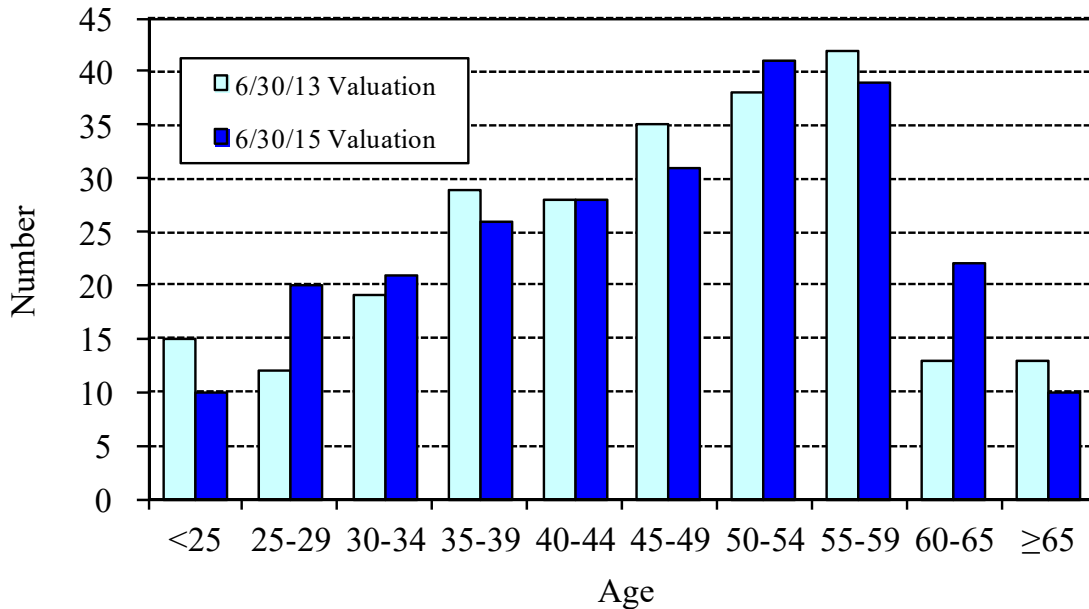
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PARTICIPANT STATISTICS

Active Age Distribution
Miscellaneous



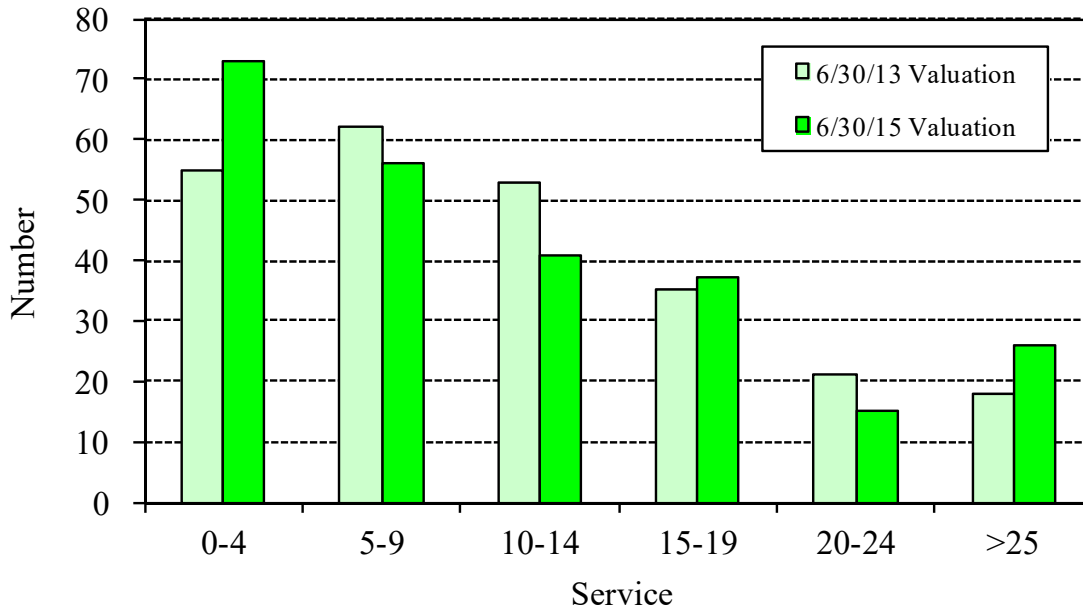
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PARTICIPANT STATISTICS

Active Service Distribution
Miscellaneous



PARTICIPANT STATISTICS

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PARTICIPANT STATISTICS

Actives by Age and City Service
Safety

| Age | City Service | | | | | | | Total |
|-------|--------------|-----|-----|-------|-------|-------|------|-------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | - | 1 | - | - | - | - | - | 1 |
| 25-29 | 3 | 15 | 1 | - | - | - | - | 19 |
| 30-34 | 2 | 10 | 11 | 3 | - | - | - | 26 |
| 35-39 | - | 5 | 8 | 7 | 1 | - | - | 21 |
| 40-44 | - | 1 | 5 | 11 | 7 | - | - | 24 |
| 45-49 | - | - | 3 | 6 | 5 | 4 | 1 | 19 |
| 50-54 | - | 1 | 1 | 1 | 3 | - | 5 | 11 |
| 55-59 | - | - | 1 | - | 2 | - | 3 | 6 |
| 60-64 | - | - | 1 | - | - | - | - | 1 |
| ≥ 65 | - | - | - | - | - | - | - | - |
| Total | 5 | 33 | 31 | 28 | 18 | 4 | 9 | 128 |



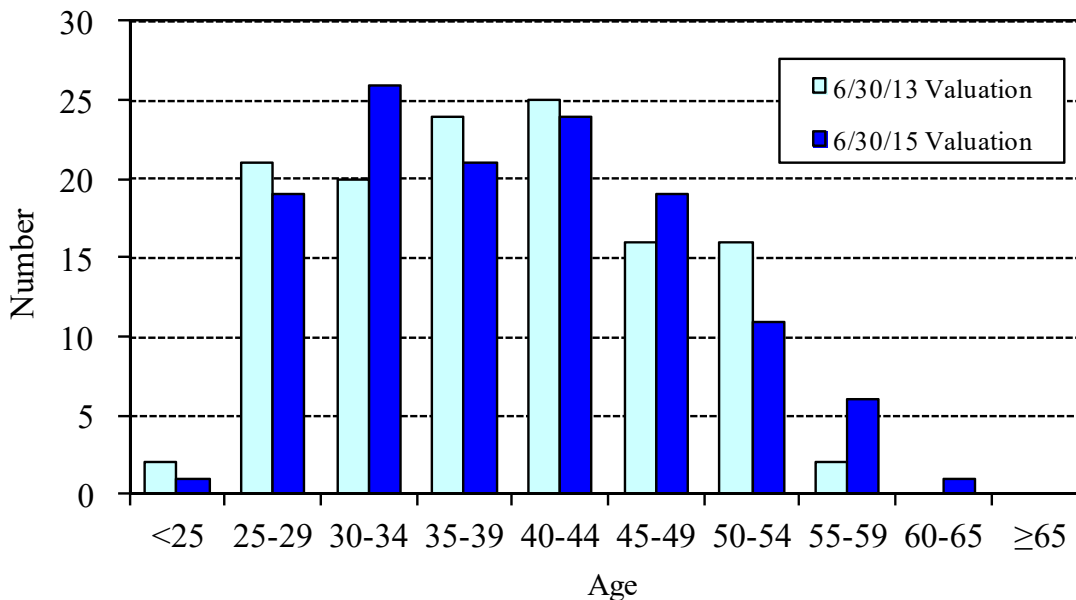
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PARTICIPANT STATISTICS

Active Age Distribution
Safety



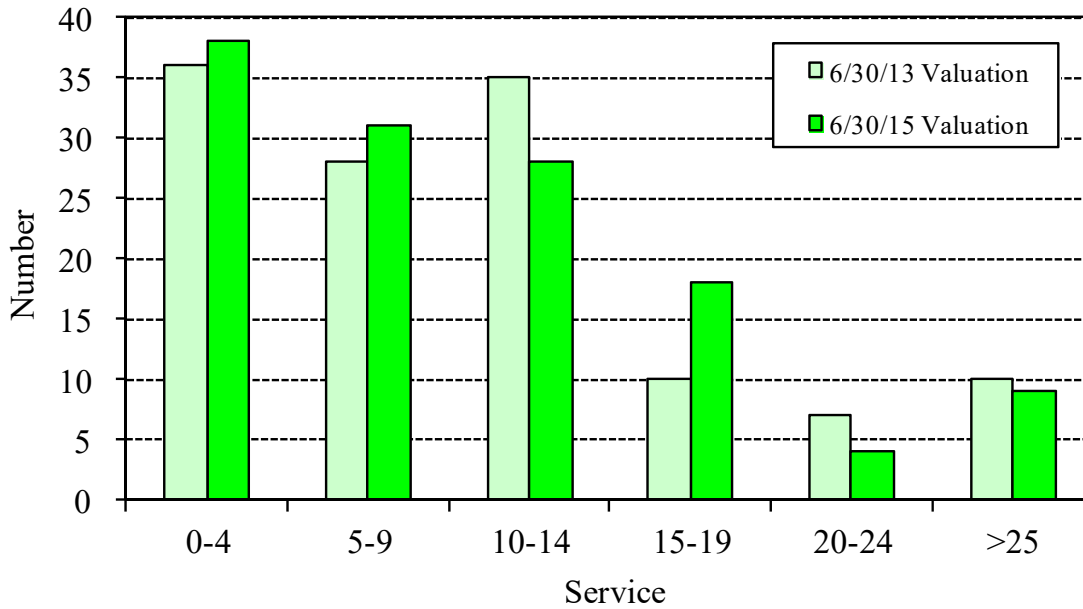
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PARTICIPANT STATISTICS

Active Service Distribution
Safety



PARTICIPANT STATISTICS

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PARTICIPANT STATISTICS

Retiree Healthcare Coverage by Age Group
Miscellaneous

| Age | Single | 2-Party | Family | Total |
|-------------|--------|---------|--------|-------|
| Under 50 | 1 | - | - | 1 |
| 50-54 | 4 | 2 | - | 6 |
| 55-59 | 7 | 6 | - | 13 |
| 60-64 | 19 | 13 | 3 | 35 |
| 65-69 | 18 | 17 | 1 | 36 |
| 70-74 | 20 | 10 | - | 30 |
| 75-79 | 11 | 7 | - | 18 |
| 80-84 | 4 | 5 | - | 9 |
| Over 85 | 14 | 2 | - | 16 |
| Total | 98 | 62 | 4 | 164 |
| Average Age | 70.8 | 68.8 | 63.7 | 69.9 |



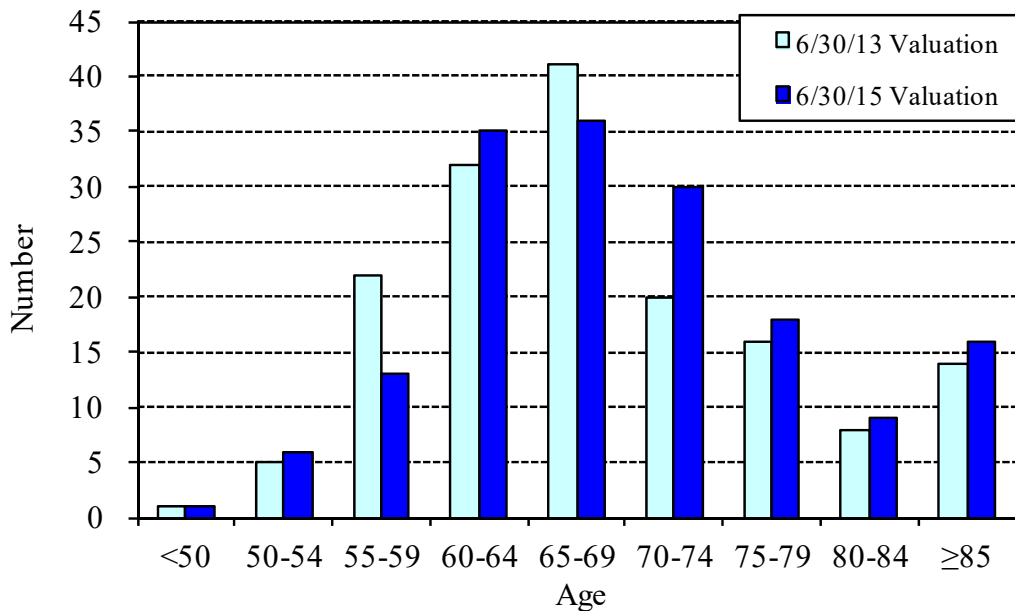
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PARTICIPANT STATISTICS

Retiree Age Distribution
Miscellaneous



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PARTICIPANT STATISTICS

Retiree Healthcare Coverage by Age Group
Safety

| Age | Single | 2-Party | Family | Total |
|-------------|--------|---------|--------|-------|
| Under 50 | 4 | - | - | 4 |
| 50-54 | - | 5 | 2 | 7 |
| 55-59 | 9 | 10 | 4 | 23 |
| 60-64 | 15 | 15 | 3 | 33 |
| 65-69 | 16 | 21 | 3 | 40 |
| 70-74 | 6 | 12 | - | 18 |
| 75-79 | 9 | 7 | - | 16 |
| 80-84 | 4 | 8 | - | 12 |
| Over 85 | 4 | 2 | - | 6 |
| Total | 67 | 80 | 12 | 159 |
| Average Age | 67.9 | 68.3 | 60.6 | 67.5 |



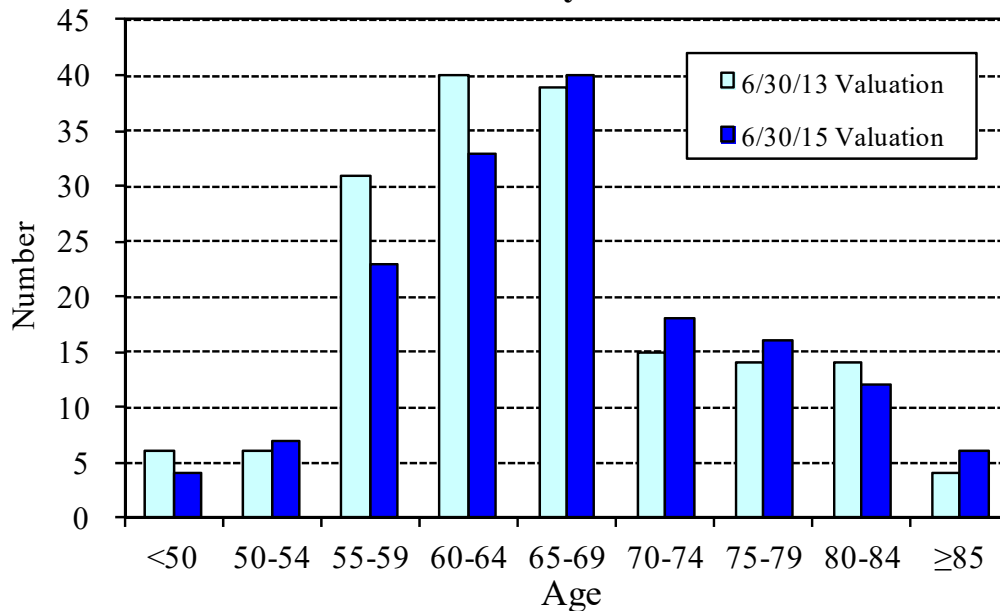
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PARTICIPANT STATISTICS

Retiree Age Distribution
Safety



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|---|---|---|
| <ul style="list-style-type: none"> ■ Mortality, Withdrawal, Disability | <ul style="list-style-type: none"> • 6/30/11 MCERA valuation assumptions • Scale AA for post-retirement mortality | <ul style="list-style-type: none"> • 6/30/14 MCERA valuation assumptions • Scale MP-2014 with 15-year convergence in 2022 for post-retirement mortality |



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|----------------------|---------------|---------|--|--|---------|---------|-------|----------------------|---------|-------|-----|------|------|-----|------|------|--|--|--|----------------------|-------|-------|--|--|--|-----|------|------|--|--|--|----------------------|-------|---------|--|--|--|-----|------|------|---|
| <ul style="list-style-type: none"> ■ Service Retirement | <ul style="list-style-type: none"> • 6/30/11 MCERA valuation assumptions <table border="0"> <tr> <td></td> <td align="center"><u>Misc</u></td> <td align="center"><u>Safety</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Benefit</td> <td align="center">2.7%@55</td> <td align="center">3%@55</td> <td>Tier 1³⁰</td> <td align="center">2.7%@55</td> <td align="center">3%@55</td> </tr> <tr> <td>ERA</td> <td align="center">59.8</td> <td align="center">53.5</td> <td>ERA</td> <td align="center">60.5</td> <td align="center">55.6</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Tier 2³¹</td> <td align="center">2%@55</td> <td align="center">3%@55</td> </tr> <tr> <td></td> <td></td> <td></td> <td>ERA</td> <td align="center">60.1</td> <td align="center">55.5</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Tier 3³²</td> <td align="center">2%@62</td> <td align="center">2.7%@57</td> </tr> <tr> <td></td> <td></td> <td></td> <td>ERA</td> <td align="center">59.9</td> <td align="center">55.0</td> </tr> </table> | | <u>Misc</u> | <u>Safety</u> | | | | Benefit | 2.7%@55 | 3%@55 | Tier 1 ³⁰ | 2.7%@55 | 3%@55 | ERA | 59.8 | 53.5 | ERA | 60.5 | 55.6 | | | | Tier 2 ³¹ | 2%@55 | 3%@55 | | | | ERA | 60.1 | 55.5 | | | | Tier 3 ³² | 2%@62 | 2.7%@57 | | | | ERA | 59.9 | 55.0 | <ul style="list-style-type: none"> • 6/30/14 MCERA valuation assumptions |
| | <u>Misc</u> | <u>Safety</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Benefit | 2.7%@55 | 3%@55 | Tier 1 ³⁰ | 2.7%@55 | 3%@55 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ERA | 59.8 | 53.5 | ERA | 60.5 | 55.6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Tier 2 ³¹ | 2%@55 | 3%@55 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | ERA | 60.1 | 55.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Tier 3 ³² | 2%@62 | 2.7%@57 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | ERA | 59.9 | 55.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Part Time Employment | <ul style="list-style-type: none"> • 25% PARS employees become full time eligible | <ul style="list-style-type: none"> • Same | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

³⁰ Final Average Pay based on 1 year (FAP 1); 3% COLA

³¹ Hired ≥ 7/1/11 based on FAP 3 and 2% COLA

³² PEPRA hired ≥ 1/1/13



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|---|--|--|
| <ul style="list-style-type: none"> ■ PEMHCA Minimum Increases | <ul style="list-style-type: none"> • 4.5% after 2014 | <ul style="list-style-type: none"> • 4.0% after 2016 |
| <ul style="list-style-type: none"> ■ Participation at Retirement | <ul style="list-style-type: none"> • Actives: <ul style="list-style-type: none"> ➢ Capped benefit: <ul style="list-style-type: none"> ○ Currently covered: 100% ○ Currently waived: 80% ➢ PEMHCA minimum: 60% • Retirees: same as current election | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Medical Plan at Retirement | <ul style="list-style-type: none"> • Currently covered: same as current elections • Currently waived: weighted premium based on current retiree elections | <ul style="list-style-type: none"> • Same • Employees enrolled in Anthem & Blue Shield Medicare plans assumed to move to UnitedHealthcare beginning 2016 |



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|--|--|--|
| <ul style="list-style-type: none"> ■ Marital Status | <ul style="list-style-type: none"> • Covered actives and retirees – based on current coverage election • Waived actives – 80% married | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Spouse Age | <ul style="list-style-type: none"> • Males 3 years older than females | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Dependents at Retirement | <ul style="list-style-type: none"> • Pre-65: <ul style="list-style-type: none"> ➢ Actives: 20% ➢ Retirees: same as current coverage • Post-65: 0% | <ul style="list-style-type: none"> • Same |



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|--|--|--|
| <ul style="list-style-type: none"> ■ Medicare Eligible Rate | <ul style="list-style-type: none"> • Actives and Retirees under 65: <ul style="list-style-type: none"> ➢ Hired < 4/1/86: 80% Misc, 90% Safety ➢ Hired > 4/1/86: 100% • Retirees over 65: current Medicare eligible status | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Medicare Participation | <ul style="list-style-type: none"> • All eligible elect City reimbursement of Part B | <ul style="list-style-type: none"> • Same |



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | | | | June 30, 2015 Valuation | | | | | |
|---|--|---------------------|-------------------|-------------------|--------------------------------|--------------------|---------------|---------------|----------|--|
| <ul style="list-style-type: none"> ■ HMO Medical Claims Costs 2016 PEMHCA Implied Subsidy Estimate | <ul style="list-style-type: none"> • Monthly claims costs estimated from Bartel Associates PEMHCA client database and PEMHCA premiums | | | | | | | | | |
| | Bay Area Region – Non-Medicare Eligible | | | | | | | | | |
| | | <u>Anthem Trad.</u> | | <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> | <u>M</u> | <u>F</u> | |
| | 25 | \$251 | \$494 | \$298 | \$587 | \$328 | \$645 | \$246 | \$483 | |
| | 35 | 329 | 604 | 391 | 718 | 430 | 789 | 322 | 591 | |
| | 45 | 524 | 634 | 623 | 753 | 685 | 828 | 513 | 620 | |
| | 55 | 875 | 885 | 1,040 | 1,052 | 1,143 | 1,156 | 856 | 866 | |
| | 60 | 1,118 | 1,045 | 1,328 | 1,242 | 1,460 | 1,366 | 1,093 | 1,023 | |
| | 65 | 1,412 | 1,272 | 1,678 | 1,510 | 1,844 | 1,661 | 1,381 | 1,244 | |
| | 70 | 1,674 | 1,470 | 1,988 | 1,746 | 2,186 | 1,920 | 1,637 | 1,438 | |
| | 75 | 2,000 | 1,729 | 2,376 | 2,054 | 2,612 | 2,258 | 1,956 | 1,691 | |
| | 80 | 2,322 | 1,992 | 2,758 | 2,366 | 3,032 | 2,602 | 2,271 | 1,948 | |
| | Bay Area Region - Medicare Eligible | | | | | | | | | |
| | <u>Anthem Trad.</u> | | <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> | <u>M</u> | <u>F</u> | | |
| 65 | n/a | n/a | n/a | n/a | n/a | n/a | \$285 | \$265 | | |
| 70 | n/a | n/a | n/a | n/a | n/a | n/a | 268 | 256 | | |
| 75 | n/a | n/a | n/a | n/a | n/a | n/a | 336 | 301 | | |
| 80 | n/a | n/a | n/a | n/a | n/a | n/a | 360 | 319 | | |



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ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation | | | | | | | |
|---|--|-------------------------|----------|--------------------|----------|-----------------|----------|--------------|----------|
| ■ PPO Medical Claims Costs 2016 PEMHCA Implied Subsidy Estimate | • Monthly claims costs estimated from Bartel Associates PEMHCA client database and PEMHCA premiums | | | | | | | | |
| | Bay Area Region – Non-Medicare Eligible | | | | | | | | |
| | | <u>PERS Choice</u> | | <u>PERS Select</u> | | <u>PERSCare</u> | | <u>PORAC</u> | |
| | <u>Age</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> |
| | 25 | \$244 | \$401 | \$216 | \$354 | \$284 | \$466 | \$237 | \$389 |
| | 35 | 363 | 557 | 320 | 492 | 421 | 647 | 351 | 540 |
| | 45 | 576 | 631 | 508 | 557 | 668 | 732 | 558 | 611 |
| | 55 | 851 | 823 | 752 | 727 | 988 | 955 | 826 | 799 |
| | 60 | 1,023 | 946 | 903 | 835 | 1,187 | 1,097 | 990 | 917 |
| | 65 | 1,270 | 1,142 | 1,121 | 1,008 | 1,474 | 1,325 | 1,231 | 1,107 |
| | 70 | 1,506 | 1,320 | 1,329 | 1,165 | 1,747 | 1,532 | 1,459 | 1,279 |
| | 75 | 1,799 | 1,553 | 1,588 | 1,371 | 2,087 | 1,802 | 1,743 | 1,505 |
| | 80 | 2,088 | 1,789 | 1,844 | 1,579 | 2,423 | 2,076 | 2,024 | 1,734 |
| | Bay Area Region - Medicare Eligible | | | | | | | | |
| | | <u>PERS Choice</u> | | <u>PERS Select</u> | | <u>PERSCare</u> | | <u>PORAC</u> | |
| <u>Age</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | <u>M</u> | <u>F</u> | |
| 65 | \$346 | \$362 | \$346 | \$362 | \$385 | \$403 | \$435 | \$456 | |
| 70 | 329 | 351 | 329 | 351 | 367 | 391 | 414 | 441 | |
| 75 | 372 | 387 | 372 | 387 | 414 | 431 | 467 | 486 | |
| 80 | 384 | 399 | 384 | 399 | 428 | 444 | 483 | 501 | |



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DEFINITIONS

| | |
|-------------------------------------|---|
| ■ GASB 45 Accrual Accounting | <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 |
| ■ PayGo Cost | <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 |



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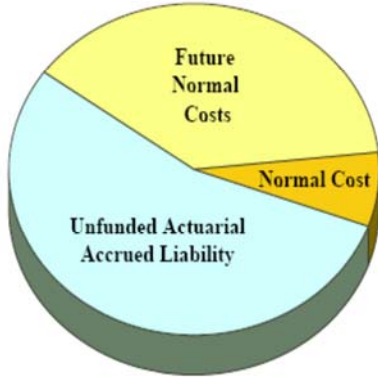
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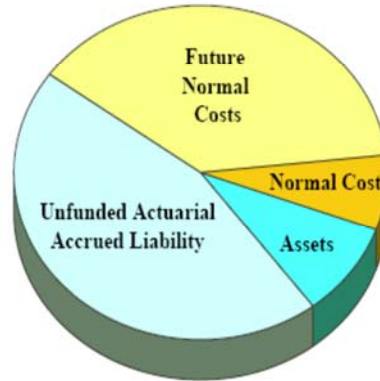
DEFINITIONS

Present Value of Benefits

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



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



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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 |



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