



TOWN OF LOS GATOS RETIREE HEALTHCARE PLAN

**BARTEL
ASSOCIATES, LLC**

**June 30, 2015 Actuarial Valuation
Final Results**

Bartel Associates, LLC

Joseph R. D'Onofrio, Assistant Vice President

Wai Man Yam, Actuarial Analyst

Katherine Moore, Associate Actuary

August 5, 2016

CONTENTS

<u>Topic</u>	<u>Page</u>
Benefit Summary	1
Funding Policy	4
Participant Summary	5
Assets	11
Valuation Results	15
Actuarial Certification	25
Exhibits	26

BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Eligibility <ul style="list-style-type: none"> • Retire directly from Town under CalPERS (service or disability) • Council members in CalPERS eligible 	<ul style="list-style-type: none"> ■ Retiree Healthcare Benefit <ul style="list-style-type: none"> • Before 2/1/16 - Maximum Town contribution is Kaiser Bay Area non-Medicare premium for coverage elected (single, 2-party, family) before and after Medicare eligibility • Effective 2/1/16 - Maximum Town contribution is Kaiser Bay Area single premium plus 90% of difference between Kaiser premium for coverage elected (2-party and family) and single premium using non-Medicare and Medicare eligible premiums • Town retiree contribution uses PEMHCA 5% unequal method <ul style="list-style-type: none"> ➢ Town joined PEMHCA in 1991 ➢ Maximum annual increase of \$100 per month - \$1,243.45 for 2-party coverage and \$1,347.16 for family coverage for 2016 for non-Medicare eligible retirees
---	---



August 5, 2016

1



BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Surviving Spouse Benefit 	<ul style="list-style-type: none"> • Retiree benefit paid to surviving spouse of retiree with CalPERS joint & survivor payment option • Retiree benefit paid to spouse of active employee who died while eligible to retire receiving CalPERS survivor benefit
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • 0.32% of retiree premium for 2015/16 • 0.31% of retiree premium for 2016/17 • Paid by Town and included with OPEB costs
<ul style="list-style-type: none"> ■ Sick Leave Conversion 	<ul style="list-style-type: none"> • Retirees can convert 100% of accumulated sick to an account used to pay retiree's share of premium until account depleted: <ul style="list-style-type: none"> ➢ AFSCME - hired < 7/1/07 ➢ TEA & Unrepresented - hired < 11/15/04 ➢ POA - any hire date • Sick leave account not included under GASB 45
<ul style="list-style-type: none"> ■ Other OPEB 	<ul style="list-style-type: none"> • No Town contribution for dental, vision, life insurance, or Medicare Part B premium



August 5, 2016

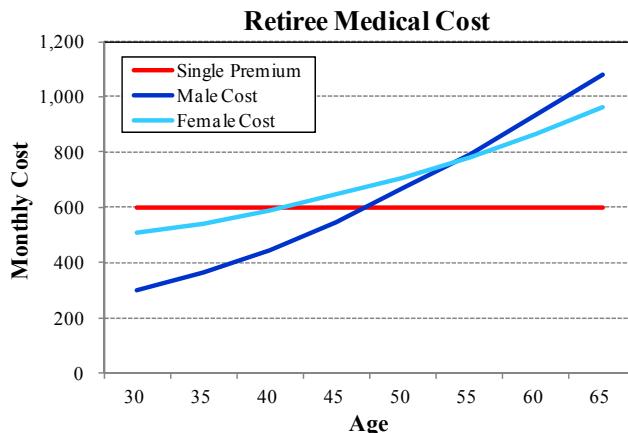
2



BENEFIT SUMMARY

■ Implied Subsidy

- 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 included with valuation results



August 5, 2016

3



FUNDING POLICY

■ Funding Policy

- Benefit payments made from Town assets
- Contribute full ARC/ADC¹ less benefit payments with CERBT Investment Strategy #1 starting with 2014/15. (Town phased into full ARC funding prior to 2014/15.)
- Unfunded liability amortized over 22 years for 2016/17

■ Pay-As-You-Go Cost ('000s)

Fiscal Year	PayGo ²	Town Estimate
2015/16	\$943	
2014/15	859	
2013/14	754	
2012/13	687	

■ Town Contributions ('000s)

Fiscal Year	Town PayGo	CERBT Prefunding	CAFR Contribution	ARC
2014/15	\$859	\$1,300	\$2,159	\$1,864
2013/14	754	1,300	2,054	2,619
2012/13	687	1,200	1,887	2,492

¹ Annual Required Contribution (ARC) is GASB 45's terminology for the recommended funding contribution. GASB 45 will be replaced by GASB 75 for the Town's 2017/18 fiscal year. GASB 75 separates OPEB accounting from funding and refers to the recommended funding contribution as the Actuarially Determined Contribution (ADC).

² Does not include PEMHCA administrative fees. Valuation ARC/ADC includes an estimate of PEMHCA administrative fees.



August 5, 2016

4



PARTICIPANT SUMMARY

Eligible Participants - June 30, 2015

CalPERS Classification	Misc		Safety		Total	
■ Actives						
• Participating (Insurance Program)	81	69%	30	77%	111	71%
• Waived Coverage (Cash Program)	<u>37</u>	<u>31%</u>	<u>9</u>	<u>23%</u>	<u>46</u>	<u>29%</u>
• Total Actives	118	100%	39	100%	157	100%
• Average Age	44.9		42.8		44.4	
• Average Town Service	7.9		11.1		8.7	
• Average Pay ³	\$82,433		\$124,853		\$93,175	
• Total Payroll (000's)	9,485		4,869		14,354	
■ Retirees						
• Participating	85	70%	24	60%	109	67%
• Waived Coverage	<u>37</u>	<u>30%</u>	<u>16</u>	<u>40%</u>	<u>53</u>	<u>33%</u>
• Total Retirees	122	100%	40	100%	162	100%
• Average Age	70.5		65.1		69.2	
• Average Service Retirement Age	59.8		53.8		58.8	
• Average Disabled Retirement Age	49.8		47.1		47.3	
■ Retirees/Actives	103%		103%		103%	

³ Excludes 3 elected officials.



August 5, 2016

5



PARTICIPANT SUMMARY

Eligible Participants - June 30, 2013

CalPERS Classification	Misc		Safety		Total	
■ Actives						
• Participating (Insurance Program)	69	66%	27	71%	96	67%
• Waived Coverage (Cash Program)	<u>36</u>	<u>34%</u>	<u>11</u>	<u>29%</u>	<u>47</u>	<u>33%</u>
• Total Actives	105	100%	38	100%	143	100%
• Average Age	47.4		43.4		46.3	
• Average Town Service	10.8		12.6		11.3	
• Average Pay ⁴	\$87,485		\$127,235		\$98,274	
• Total Payroll (000's)	8,929		4,835		13,764	
■ Retirees						
• Participating	75	67%	22	63%	97	66%
• Waived Coverage	<u>37</u>	<u>33%</u>	<u>13</u>	<u>37%</u>	<u>50</u>	<u>34%</u>
• Total Retirees	112	100%	35	100%	147	100%
• Average Age	70.2		64.6		68.9	
• Average Service Retirement Age	59.8		53.1		58.7	
• Average Disabled Retirement Age	49.8		47.3		47.5	
■ Retirees/Actives	107%		92%		103%	

⁴ Excludes 3 elected officials.



August 5, 2016

6



PARTICIPANT SUMMARY

Participant Reconciliation
Miscellaneous

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2013	105	99	1	12	112
• Terminations ⁵	(12)	-	-	-	-
• New Retirees & Survivors	(13)	13	0	0	13
• Retiree Deaths with Survivor	-	(1)	(0)	1	-
• Retiree Deaths without Survivor ⁶	-	(5)	(0)	(0)	(5)
• New Hires	38	-	-	-	-
• Data Corrections	0	1	0	1	2
■ June 30, 2015	118	107	1	14	122

⁵ Active employees reported for the 6/30/13 valuation and not reported for the 6/30/15 valuation were assumed to be terminations and deaths before retirement.

⁶ Retirees reported for the 6/30/13 valuation and not reported for the 6/30/15 valuation were assumed to be deaths without covered survivors.

BA

August 5, 2016

7



PARTICIPANT SUMMARY

Participant Reconciliation
Safety

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2013	38	21	12	2	35
• Terminations ⁷	(1)	-	-	-	-
• New Retirees & Survivors	(6)	4	2	0	6
• Retiree Deaths with Survivor	-	(1)	(0)	1	-
• Retiree Deaths without Survivor ⁸	-	(1)	(1)	(0)	(2)
• New Hires	8	-	-	-	-
• Data Corrections	0	0	0	1	1
■ June 30, 2015	39	23	13	4	40

⁷ Active employees reported for the 6/30/13 valuation and not reported for the 6/30/15 valuation were assumed to be terminations and deaths before retirement.

⁸ Retirees reported for the 6/30/13 valuation and not reported for the 6/30/15 valuation were assumed to be deaths without covered survivors.

BA

August 5, 2016

8



PARTICIPANT SUMMARY

Active Participants
June 30, 2015

Active Participants	Miscellaneous						Safety			Grand Total
	Elected	Mgmt	Conf	TEA⁹	AFSCME	Total	Mgmt	POA	Total	
■ Count										
● Insure Pgm	3	17	7	40	14	81	4	26	30	111
● Cash Pgm	0	2	6	28	1	37	0	9	9	46
● Tot Eligible	3	19	13	68	15	118	4	35	39	157
■ Ave Age	53.6	52.1	44.9	42.1	47.0	44.9	47.4	42.3	42.8	44.4
■ Ave Service	5.4	9.8	6.2	6.5	13.9	7.9	16.9	10.5	11.1	8.7
■ Average Pay ¹⁰	1,800	135,154	76,446	71,427	70,732	82,433	165,084	120,255	124,853	93,175
■ Tot Pay (000s)	5	2,568	994	4,857	1,061	9,485	660	4,209	4,869	14,354

⁹ Includes 14 nonparticipating temporary/hourly employees.

¹⁰ Total excludes 3 elected officials.

BA

August 5, 2016

9



PARTICIPANT SUMMARY

Active Participants
June 30, 2013

Active Participants	Miscellaneous						Safety			Grand Total
	Elected	Mgmt	Conf	TEA¹¹	AFSCME	Total	Mgmt	POA	Total	
■ Count										
● Insure Pgm	3	16	5	34	11	69	2	25	27	96
● Cash Pgm	0	2	6	24	4	36	1	10	11	47
● Tot Eligible	3	18	11	58	15	105	3	35	38	143
■ Ave Age	59.2	51.3	46.0	45.4	48.9	47.4	52.1	42.6	43.4	46.3
■ Ave Service	4.9	11.7	6.5	10.6	15.0	10.8	14.0	12.5	12.6	11.3
■ Average Pay ¹²	1,800	133,423	76,748	80,018	69,105	87,485	164,672	124,026	127,235	98,274
■ Tot Pay (000s)	5	2,402	844	4,641	1,037	8,929	494	4,341	4,835	13,764

¹¹ Includes 10 temporary/hourly employees.

¹² Total excludes 3 elected officials.

BA

August 5, 2016

10



ASSETS

Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2010/11	2011/12	2012/13	2013/14	2014/15
■ Market Value at Beginning of Year	\$1,010	\$2,111	\$3,272	\$4,866	\$7,061
• CERBT Contributions	850	1,060	1,200	1,300	1,300
• Town PayGo Contributions ¹³	581	636	687	754	859
• Investment Earnings	252	104	399	903	(8)
• Benefit Payments	(581)	(636)	(687)	(754)	(859)
• Administrative Expenses	(1)	(2)	(5)	(7)	(7)
■ Market Value at End of Year	2,111	3,272	4,866	7,061	8,346
■ Market Value Est Net Return¹⁴	24.8%	5.0%	12.0%	18.4%	(0.2%)
■ CERBT Net Annual Return	25.0%	0.15%	11.8%	18.5%	(0.11%)

¹³ Benefit payments made directly from Town assets.

¹⁴ Annual estimate including the impact of cash flow timing. CERBT #1 return for 2015/16 was 1.04%.

BA

August 5, 2016

11



ASSETS

Actuarial Value of Plan Assets

(Amounts in 000's)

Actuarial Value of Assets	2010/11	2011/12	2012/13	2013/14	2014/15
■ Actuarial Value at Begin of Year	\$ 980	\$1,947	\$3,168	\$4,652	\$6,444
• Contributions	1,431	1,696	1,887	2,054	2,159
• Expected Net Earnings	76	135	231	337	467
• Benefit Payments	(581)	(636)	(687)	(754)	(859)
■ Expected AVA at End of Year	1,906	3,142	4,599	6,289	8,212
■ Accrued Market Value at End of Year	2,111	3,272	4,866	7,061	8,346
■ MVA - Expected AVA	205	130	267	772	134
■ 1/5 of (MVA - Exp AVA)	41	26	53	154	27
■ Preliminary AVA	1,947	3,168	4,652	6,444	8,238
■ Minimum AVA (80% of MVA)	1,689	2,618	3,892	5,649	6,677
■ Maximum AVA (120% of MVA)	2,533	3,927	5,839	8,473	10,015
■ Actuarial Value at End of Year	1,947	3,168	4,652	6,444	8,238
■ AVA Estimated Net Return	11.9%	8.7%	8.9%	10.6%	7.7%
■ AVA / MVA	92%	97%	96%	91%	99%

BA

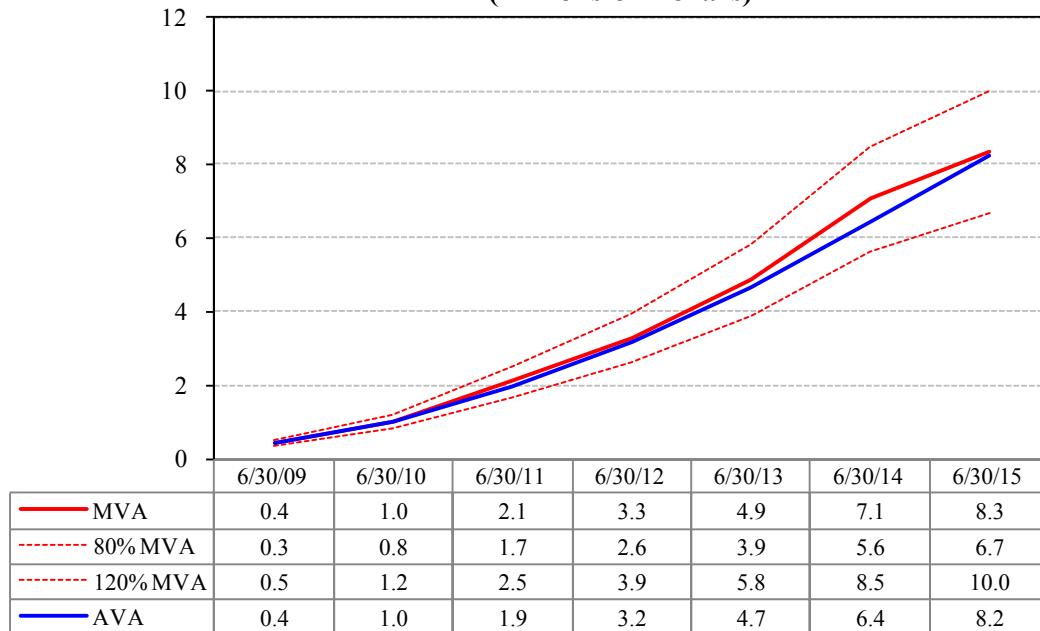
August 5, 2016

12



ASSETS

Actuarial Value of Assets (Millions of Dollars)



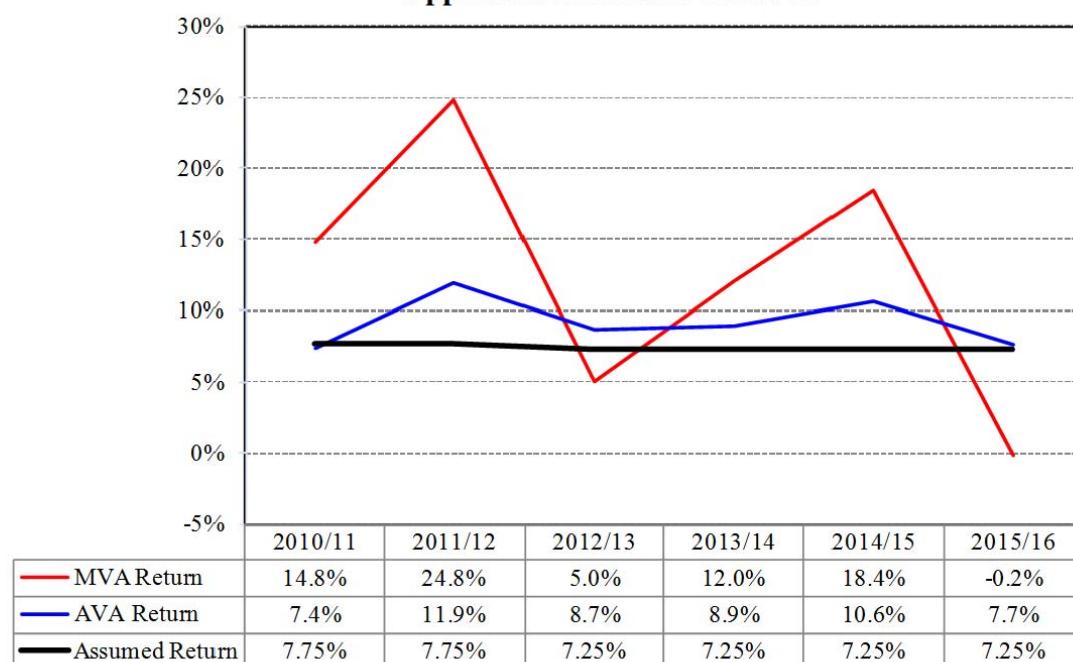
August 5, 2016

13



ASSETS

Approximate Return on Assets



August 5, 2016

14



VALUATION RESULTS

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	6/30/13 Valuation		6/30/15 Valuation		
	Actual 6/30/13	Projected 6/30/15	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17
■ Discount Rate	7.25%	7.25%	7.25%	7.25%	7.25%
■ Present Value of Benefits					
• Actives	\$15,182	n/a	\$18,080	n/a	n/a
• Retirees	<u>10,348</u>	<u>n/a</u>	<u>11,786</u>	<u>n/a</u>	<u>n/a</u>
• Total	25,530	\$27,670	29,866	\$30,875	\$31,894
■ Actuarial Accrued Liability					
• Actives	8,863	n/a	9,191	n/a	n/a
• Retirees	<u>10,348</u>	<u>n/a</u>	<u>11,786</u>	<u>n/a</u>	<u>n/a</u>
• Total	19,211	22,257	20,977	22,477	24,061
■ Actuarial Value of Assets	<u>4,652</u>	<u>8,077</u>	<u>8,238</u>	<u>9,829</u>	<u>11,451</u>
■ Unfunded AAL	14,559	14,181	12,739	12,648	12,610
■ Funded Percentage	24%	36%	39%	44%	48%
■ Normal Cost	882	940	1,137	1,174	1,212
■ Pay-As-You-Go Cost	753	949	1,117	1,177	1,265



August 5, 2016

15



VALUATION RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	AAL	(AVA)	UAAL	Fund%
■ 6/30/13 Actual Amounts	\$19,211	\$(4,652)	\$14,559	24%
■ 6/30/15 Expected Amounts	22,257	(8,077)	14,181	36%
■ Experience Losses (Gains)				
• Actual versus expected premiums	(1,583)	-	(1,583)	
• Demographic & other	(1,522)	-	(1,522)	
• Asset loss (gain)	-	(161)	(161)	
■ Plan Changes	(1,542)	-	(1,542)	
■ Assumption Changes				
• Plan election assumption	(1)	-	(1)	
• Projected mortality improvement	622	-	622	
• PPACA high cost plan excise tax	365	-	365	
• PEMHCA administration fees	(4)	-	(4)	
■ Total Changes	(3,665)	(161)	(3,826)	8%
■ 6/30/15 Cash Subsidy Amounts	18,592	(8,238)	10,354	44%
■ Implied Subsidy	<u>2,385</u>	<u>0</u>	<u>2,385</u>	<u>(5%)</u>
■ 6/30/15 Actual Amounts	20,977	(8,238)	12,739	39%



August 5, 2016

16



VALUATION RESULTS

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 ¹⁵
■ Discount Rate	7.25%	7.25%	7.25%	7.25%
■ ARC - \$				
• Normal Cost	\$ 910	\$ 940	\$1,174	\$1,212
• UAAL Amortization	<u>953</u>	<u>973</u>	<u>893</u>	<u>917</u>
• Total ARC	1,864	1,913	2,067	2,129
■ Projected Payroll¹⁶	14,440	14,910	15,059	15,549
■ ARC - %				
• Normal Cost	6.3%	6.3%	7.8%	7.8%
• UAAL Amortization	<u>6.6%</u>	<u>6.5%</u>	<u>5.9%</u>	<u>5.9%</u>
• Total ARC	12.9%	12.8%	13.7%	13.7%
■ UAAL Amortization Years	24	23	22	21

¹⁵ Accounting information for 2017/18 will be determined under GASB 75.

¹⁶ For 2014/15, 7/1/13 annual pay rate was projected 1.5 years using the aggregate payroll assumption of 3.25%. For 2016/17, 7/1/15 annual pay rate was projected 1.5 years using 3.25%.

BA

August 5, 2016

17



VALUATION RESULTS

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	Cash Subsidy			Implied Subsidy	Total Payment
	Current Actives	Current Retirees	Total Cash		
2015/16	\$ 40	\$824	\$864	\$253	\$1,117
2016/17	123	825	948	229	1,177
2017/18	213	835	1,048	217	1,265
2018/19	312	839	1,151	238	1,389
2019/20	409	825	1,234	238	1,472
2020/21	498	829	1,327	233	1,560
2021/22	592	830	1,422	240	1,662
2022/23	678	826	1,504	233	1,737
2023/24	789	810	1,599	231	1,830
2024/25	881	803	1,684	217	1,901
PVB¹⁷	15,746	10,660	26,406	3,460	29,866

¹⁷ Present Value of Benefits for all years, including those after the 10 years shown. The Present Value of Benefits is the discounted value of future expected Town benefit payments using the valuation discount rate of 7.25%.

BA

August 5, 2016

18



VALUATION RESULTS

Actuarial Obligations - Implied Subsidy Estimate

June 30, 2015 - 7.25% Discount Rate

(Amounts in 000's)

Actuarial Obligations	Cash Subsidy	Implied Subsidy	Total Subsidy
■ Present Value of Benefits			
• Actives	\$15,746	\$2,334	\$18,080
• Retirees	<u>10,660</u>	<u>1,126</u>	<u>11,786</u>
• Total	26,406	3,460	29,866
■ Actuarial Accrued Liability			
• Actives	7,932	1,259	9,191
• Retirees	<u>10,660</u>	<u>1,126</u>	<u>11,786</u>
• Total	18,592	2,385	20,977
■ Plan Assets	<u>8,238</u>	<u>0</u>	<u>8,238</u>
■ Unfunded Actuarial Accrued Liability	10,354	2,385	12,739
■ Funded Percentage	44%	0%	39%
■ Normal Cost 2016/17	1,031	143	1,174
■ Pay-As-You-Go Cost 2016/17	948	229	1,177



August 5, 2016

19



VALUATION RESULTS

Annual Required Contribution (ARC) - Implied Subsidy Estimate

2016/17 Fiscal Year - 7.25% Discount Rate

(Amounts in 000's)

Annual Required Contribution	Cash Subsidy	Implied Subsidy	Total Subsidy
■ ARC - \$			
• Normal Cost	\$1,031	\$143	\$1,174
• UAAL Amortization	<u>721</u>	<u>172</u>	<u>893</u>
• Total ARC	1,752	315	2,067
■ Projected Payroll	15,059	15,059	15,059
■ ARC - %			
• Normal Cost	6.8%	1.0%	7.8%
• UAAL Amortization	<u>4.8%</u>	<u>1.1%</u>	<u>5.9%</u>
• Total ARC	11.6%	2.1%	13.7%



August 5, 2016

20



VALUATION RESULTS

Implied Subsidy Illustration

(Amounts in 000's)

2016/17	Pay-As-You-Go Cost			Town Contribution		
	Actives	OPEB	Total	Actives	OPEB	Total
■ Before Implied Subsidy						
• Cash Subsidy ¹⁸	\$2,000	\$948	\$2,948	\$2,000	\$1,752	\$3,752
• Implied Subsidy	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Total	2,000	948	2,948	2,000	1,752	3,752
■ After Implied Subsidy						
• Cash Subsidy	2,000	948	2,948	2,000	1,752	3,752
• Implied Subsidy ¹⁹	<u>(229)</u>	<u>229</u>	<u>0</u>	<u>(229)</u>	<u>315</u>	<u>86</u>
• Total	1,771	1,177	2,948	1,771	2,067	3,838
■ Change						
• Cash Subsidy	0	0	0	0	0	0
• Implied Subsidy ²⁰	<u>(229)</u>	<u>229</u>	<u>0</u>	<u>(229)</u>	<u>315</u>	<u>86</u>
• Total	(229)	229	0	(229)	315	86

¹⁸ The Town provided an estimate of approximately \$1,890,000 for its 2015/16 active premium pay-as-you go cost.

¹⁹ The additional Town contribution of \$315,000 for its OPEB implied subsidy ARC is offset by a CERBT disbursement of \$229,000 to pay for the active employee implied subsidy for a net additional prefunding contribution of \$86,000.

²⁰ The Town's active premium pay-as-you go-cost is offset by the estimated retiree implied subsidy pay-as-you-go cost.



August 5, 2016

21



VALUATION RESULTS

Estimated Net OPEB Obligation (NOO) Projection

Estimated NOO (Amounts in 000's)	CAFR 2013/14	CAFR 2014/15	Est 2015/16	Est 2016/17
■ Discount Rate	7.25%	7.25%	7.25%	7.25%
■ NOO at Beginning of Year	\$3,485	\$4,048	\$3,212	\$3,225
■ Annual OPEB Cost				
• Annual Required Contribution	2,619	1,864	1,913	2,067
• Interest on NOO	219	294	233	234
• NOO Adjustment	<u>(221)</u>	<u>(834)</u>	<u>(220)</u>	<u>(228)</u>
• Annual OPEB Cost	2,617	1,324	1,926	2,073
■ Contributions				
• Benefit Payments Outside Trust	754	859	943	948
• Implied Subsidy Payments	0	0	0	229
• Trust Funding	<u>1,300</u>	<u>1,300</u>	<u>970</u>	<u>890</u>
• Total Contributions	2,054	2,159	1,913	2,067
■ NOO at End of Year	4,048	3,212	3,225	3,231
■ NOO Amortization Years	25	24	23	22
■ NOO Amortization Factor	n/a	n/a	14.57	14.17



August 5, 2016

22



VALUATION RESULTS

Contribution Projection

7.25% Discount Rate

(Amounts in 000's)

Fiscal Year End ²¹	Actuarial Contribution					Town Contributions ²²			
	Normal Cost	UAAL Amort	ARC	Projected Payroll	ARC % Pay	Cash Subsidy	Implied Subsidy	Trust Funding	Total Contrib
2016	\$ 940	\$ 973	\$1,913	\$14,910	12.8%	\$ 943	\$ 0	\$970	\$1,913
2017	1,174	893	2,067	15,059	13.7%	948	229	890	2,067
2018	1,212	917	2,129	15,549	13.7%	1,048	217	864	2,129
2019	1,251	943	2,194	16,054	13.7%	1,151	238	805	2,194
2020	1,292	968	2,260	16,576	13.6%	1,234	238	788	2,260
2021	1,334	994	2,328	17,115	13.6%	1,327	233	768	2,328
2022	1,377	1,021	2,398	17,671	13.6%	1,422	240	736	2,398
2023	1,422	1,048	2,470	18,245	13.5%	1,504	233	733	2,470
2024	1,468	1,076	2,544	18,838	13.5%	1,599	231	714	2,544
2025	1,516	1,104	2,620	19,450	13.5%	1,684	217	719	2,620

²¹ 2016 amounts are from the June 30, 2013 valuation. Cash subsidy benefit payments for 2015/16 were provided by the Town.

²² Cash subsidy and implied subsidy amounts are shown only if the Town pays these amounts directly from Town assets, funds the ARC less these amounts with CERBT, and does not request reimbursement of these amounts from CERBT. If the Town funds the full ARC with CERBT and requests reimbursement for these amounts, then they are shown as zero.



August 5, 2016

23



VALUATION RESULTS

Funded Status Projection

7.25% Discount Rate

(Amounts in 000's)

Fiscal Year End	Actuarial Value of Assets ²³						Funded Status		
	BOY AVA	Trust Funding	CS Payments	IS Payments	Expected Earnings	EOY AVA	BOY AAL	BOY UAAL ²⁴	BOY Fund%
2016	\$8,238	\$ 970	\$0	\$0	\$ 621	\$ 9,829	\$20,977	\$12,739	39%
2017	9,829	890	0	0	732	11,451	22,477	12,648	44%
2018	11,451	864	0	0	847	13,162	24,061	12,610	48%
2019	13,162	805	0	0	969	14,936	25,708	12,545	51%
2020	14,936	788	0	0	1,095	16,819	27,384	12,448	55%
2021	16,819	768	0	0	1,231	18,818	29,137	12,318	58%
2022	18,818	736	0	0	1,374	20,928	30,968	12,150	61%
2023	20,928	733	0	0	1,525	23,186	32,869	11,942	64%
2024	23,186	714	0	0	1,688	25,588	34,876	11,689	66%
2025	25,588	719	0	0	1,861	28,168	36,977	11,389	69%

²³ Cash subsidy and implied subsidy amounts are shown only if the Town requests reimbursement for these amounts from CERBT.

²⁴ UAAL is amortized over 22 years for 2016/17 and is projected to be fully funded on 6/30/38.



August 5, 2016

24



ACTUARIAL CERTIFICATION

This report presents the Town of Los Gatos Retiree Healthcare Plan (“Plan”) June 30, 2015 actuarial valuation. The purpose of this valuation is to calculate the June 30, 2015 funded status, the 2016/17 Annual Required Contribution, and the 2017/18 Actuarially Determined Contribution.

The report provides information intended for Plan funding purposes and may not be appropriate for other purposes. Future valuations may differ significantly if the Plan’s experience differs from the assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The scope of the valuation did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the Town as summarized in this report, which we relied on but 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 completed using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries meeting the Academy’s 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
August 5, 2016



August 5, 2016



Katherine Moore, ASA, MAAA
Associate Actuary
Bartel Associates, LLC
August 5, 2016

25



EXHIBITS

Topic	Page
Premiums	E-1
Participant Statistics	E-9
Actuarial Assumptions	E-29
Actuarial Methods	E-41
Definitions	E-43



August 5, 2016

26



PREMIUMS

2015 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single B	2-Party B/B	Family B/B/B	Single M	2-Party M/M	Family M/M/B
Anthem HMO Select	\$662.41	\$1,324.82	\$1,722.27	\$445.38	\$890.76	\$1,288.21
Anthem HMO Traditional	827.57	1,655.14	2,151.68	445.38	890.76	1,387.30
Blue Shield Access+	928.87	1,857.74	2,415.06	352.63	705.26	1,262.58
Blue Shield NetValue	870.60	1,741.20	2,263.56	352.63	705.26	1,227.62
Kaiser	714.45	1,428.90	1,857.57	295.51	591.02	1,019.69
UnitedHealthcare	850.67	1,701.34	2,211.74	267.41	534.82	1,045.22
PERS Choice	700.84	1,401.68	1,822.18	339.47	678.94	1,099.44
PERS Select	690.43	1,380.86	1,795.12	339.47	678.94	1,093.20
PERSCare	775.08	1,550.16	2,015.21	368.76	737.52	1,202.57
PORAC	675.00	1,292.00	1,642.00	402.00	802.00	1,281.00



August 5, 2016

E-1



PREMIUMS

2016 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single B	2-Party B/B	Family B/B/B	Single M	2-Party M/M	Family M/M/B
Anthem HMO Select	\$721.79	\$1,443.58	\$1,876.65	n/a	n/a	n/a
Anthem HMO 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	\$1,042.34
UnitedHealthcare	955.44	1,910.88	2,484.14	320.98	641.96	1,215.22
PERS Choice	798.36	1,596.72	2,075.74	366.38	732.76	1,211.78
PERS Select	730.07	1,460.14	1,898.18	366.38	732.76	1,170.80
PERSCare	889.27	1,778.54	2,312.10	408.04	816.08	1,349.64
PORAC	699.00	1,399.00	1,789.00	442.00	881.00	1,408.00



August 5, 2016

E-2



PREMIUMS

2017 PEMHCA Monthly Premiums
Bay Area

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single B	2-Party B/B	Family B/B/B	Single M	2-Party M/M	Family M/M/B
Anthem HMO Select	\$ 783.46	\$1,566.92	\$2,037.00	n/a	n/a	n/a
Anthem HMO Traditional	990.05	1,980.10	2,574.13	n/a	n/a	n/a
Blue Shield Access+	1,024.85	2,049.70	2,664.61	n/a	n/a	n/a
Blue Shield NetValue	n/a	n/a	n/a	n/a	n/a	n/a
Health Net SmartCare	733.29	1,466.58	1,906.55	n/a	n/a	n/a
Kaiser	733.39	1,466.78	1,906.81	\$ 300.48	\$ 600.96	\$1,040.99
UnitedHealthcare	1,062.26	2,124.52	2,761.88	324.21	648.42	1,285.78
PERS Choice	830.30	1,660.60	2,158.78	353.63	707.26	1,205.44
PERS Select	736.27	1,472.54	1,914.30	353.63	707.26	1,149.02
PERSCare	932.39	1,864.78	2,424.21	389.76	779.52	1,338.95
PORAC	699.00	1,467.00	1,876.00	464.00	924.00	1,477.00



August 5, 2016

E-3



PREMIUMS



This page intentionally blank



August 5, 2016

E-4



PREMIUMS

PEMHCA Monthly Premium Increases
Bay Area - 2016 to 2017

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	8.5%	n/a	7.0%	n/a
Anthem HMO Traditional	15.7%	n/a	7.0%	n/a
Blue Shield Access+	0.9%	n/a	7.0%	n/a
Health Net SmartCare	(9.3%)	n/a	7.0%	n/a
Kaiser	(1.8%)	1.1%	7.0%	7.2%
UnitedHealthcare	11.2%	1.0%	7.0%	7.2%
PERS Choice	4.0%	(3.5%)	7.0%	7.2%
PERS Select	0.8%	(3.5%)	7.0%	7.2%
PERSCare	4.8%	(4.5%)	7.0%	7.2%
PORAC (single)	0.0%	5.0%	7.0%	7.2%



August 5, 2016

E-5



PREMIUMS

PEMHCA Monthly Premium Increases
Bay Area - 2015 to 2017

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	18.3%	n/a	15.0%	n/a
Anthem HMO Traditional	19.6%	n/a	15.0%	n/a
Blue Shield Access+	10.3%	n/a	15.0%	n/a
Health Net SmartCare	n/a	n/a	n/a	n/a
Kaiser	2.7%	1.7%	15.0%	15.6%
UnitedHealthcare	24.9%	21.2%	15.0%	15.6%
PERS Choice	18.5%	4.2%	15.0%	15.6%
PERS Select	6.6%	4.2%	15.0%	15.6%
PERSCare	20.3%	5.7%	15.0%	15.6%
PORAC (single)	3.6%	15.4%	15.0%	15.6%



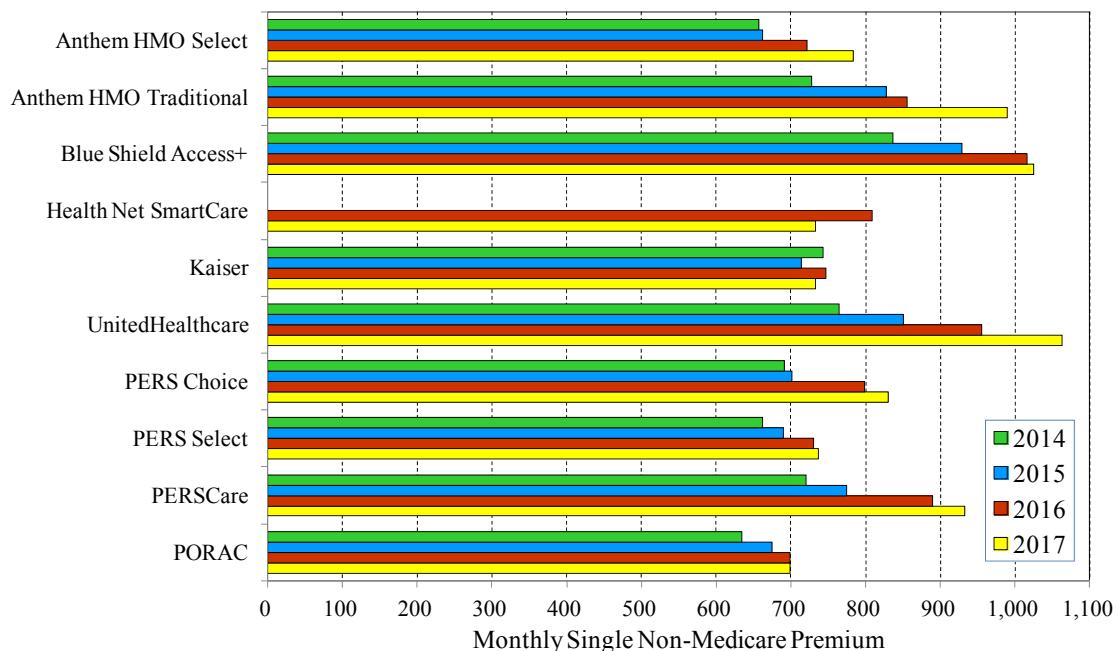
August 5, 2016

E-6



PREMIUMS

PEMHCA Non-Medicare Eligible Premiums Bay Area



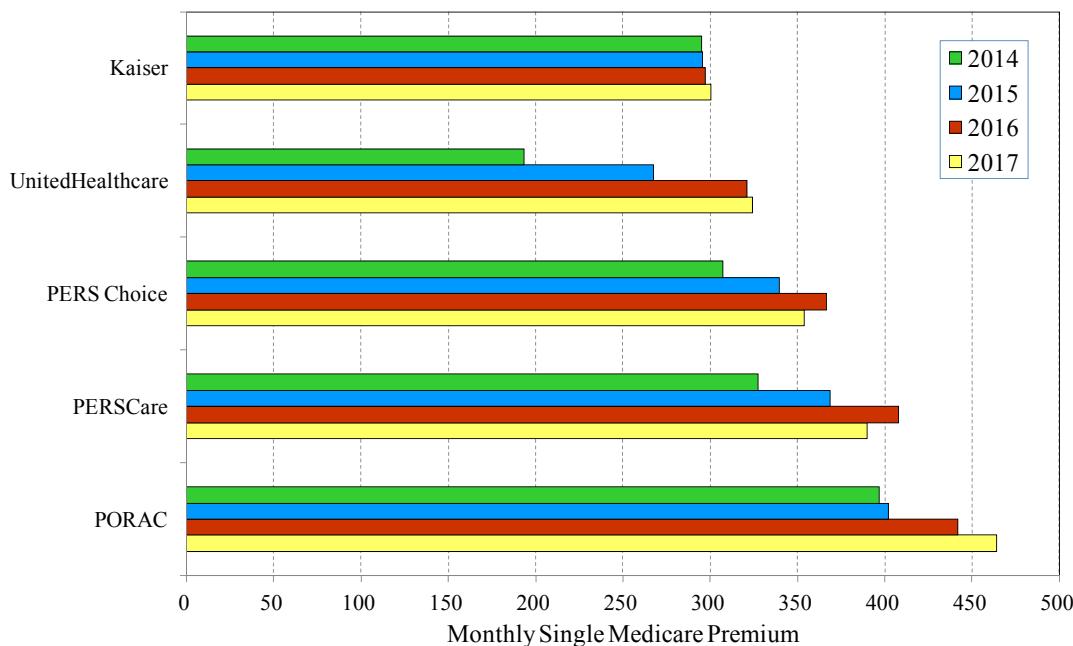
August 5, 2016

E-7



PREMIUMS

PEMHCA Medicare Eligible Premiums Bay Area



August 5, 2016

E-8



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants - Miscellaneous²⁵

Medical Plan	June 30, 2013			June 30, 2015		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem Select	0%	0%	0%	31%	8%	0%
Anthem Traditional	0%	0%	0%	6%	4%	0%
Blue Shield Access +	15%	28%	12%	0%	15%	15%
Blue Shield NetValue	29%	0%	2%	5%	8%	0%
Kaiser	32%	28%	32%	30%	23%	29%
UnitedHealthcare	0%	0%	0%	1%	0%	2%
PERS Choice	20%	32%	40%	22%	31%	30%
PERS Select	1%	0%	0%	0%	0%	0%
PERSCare	3%	12%	14%	5%	11%	24%
Total	100%	100%	100%	100%	100%	100%

²⁵ Excludes Cash Allocation Program actives and waived retirees.

BA

August 5, 2016

E-9



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants - Safety²⁶

Medical Plan	June 30, 2013			June 30, 2015		
	Actives	Retirees		Actives	Retirees	
		< 65	≥ 65		< 65	≥ 65
Anthem Select	0%	0%	0%	33%	0%	0%
Anthem Traditional	0%	0%	0%	10%	0%	0%
Blue Shield Access +	18%	19%	0%	0%	9%	8%
Blue Shield NetValue	15%	0%	0%	0%	9%	0%
Kaiser	30%	36%	18%	30%	18%	23%
UnitedHealthcare	0%	0%	0%	0%	0%	0%
PERS Choice	26%	36%	27%	7%	37%	23%
PERS Select	0%	0%	0%	3%	0%	0%
PERSCare	0%	0%	9%	0%	0%	8%
PORAC	11%	9%	46%	17%	27%	38%
Total	100%	100%	100%	100%	100%	100%

²⁶ Excludes Cash Allocation Program actives and waived retirees.

BA

August 5, 2016

E-10



PARTICIPANT STATISTICS

Active Medical Coverage
Miscellaneous

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem Select	5	6	14		25
Anthem Traditional	2		3		5
Blue Shield Access+					0
Blue Shield NetValue	1	2	1		4
Kaiser	11	4	9		24
UnitedHealthcare		1			1
PERS Choice	4	5	9		18
PERS Select					0
PERSCare	4				4
Cash Allocation Program				37	37
Total	27	18	36	37	118
Election %	33%	22%	44%		
Waived %				31%	

BA

August 5, 2016

E-11



PARTICIPANT STATISTICS

Active Medical Coverage
Safety

Medical Plan	Single	2-Party	Family	Cash	Total
Anthem Select	1	1	8		10
Anthem Traditional			3		3
Blue Shield Access+					0
Blue Shield NetValue					0
Kaiser	3	3	3		9
UnitedHealthcare					0
PERS Choice	1		1		2
PERS Select			1		1
PERSCare					0
PORAC			5		5
Cash Allocation Program				9	9
Total	5	4	21	9	39
Election %	17%	13%	70%		
Waived %				23%	

BA

August 5, 2016

E-12



PARTICIPANT STATISTICS

Retiree Medical Coverage
Miscellaneous - Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select	1	1			2
Anthem Traditional		1			1
Blue Shield Access+	3	1			4
Blue Shield NetValue	2				2
Kaiser	3	3			6
UnitedHealthcare					0
PERS Choice	4	4			8
PERS Select					0
PERSCare	2	1			3
Waived				6	6
Total	15	11	0	6	32
Election %	58%	42%	0%		
Waived %				19%	



August 5, 2016

E-13



PARTICIPANT STATISTICS

Retiree Medical Coverage
Safety - Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select					0
Anthem Traditional					0
Blue Shield Access+		1			1
Blue Shield NetValue			1		1
Kaiser		1	1		2
UnitedHealthcare					0
PERS Choice	2	2			4
PERS Select					0
PERSCare					0
PORAC	1		2		3
Waived				10	10
Total	3	4	4	10	21
Election %	28%	36%	36%		
Waived %				48%	



August 5, 2016

E-14



PARTICIPANT STATISTICS

Retiree Medical Coverage
Miscellaneous - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select					0
Anthem Traditional					0
Blue Shield Access+	4	5			9
Blue Shield NetValue					0
Kaiser	11	5	1		17
UnitedHealthcare	1				1
PERS Choice	9	9			18
PERS Select					0
PERSCare	8	6			14
Waived				31	31
Total	33	25	1	31	90
Election %	56%	42%	2%		
Waived %				34%	

BA

August 5, 2016

E-15



PARTICIPANT STATISTICS

Retiree Medical Coverage
Safety - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem Select					0
Anthem Traditional					0
Blue Shield Access+			1		1
Blue Shield NetValue					0
Kaiser	2	1			3
UnitedHealthcare					0
PERS Choice	1	2			3
PERS Select					0
PERSCare	1				1
PORAC	1	4			5
Waived				6	6
Total	5	7	1	6	19
Election %	38%	54%	8%		
Waived %				32%	

BA

August 5, 2016

E-16



PARTICIPANT STATISTICS

Actives by Age and Town Service
Miscellaneous

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	2							2
25-29	3	6						9
30-34	6	6	3	2				17
35-39	5	6	3	1	2			17
40-44	2	5	4	3	2			16
45-49	2	4	6	2				14
50-54	1	4	4	5			1	15
55-59	2	1	2	4	3	2	5	19
60-64		1	1	2			2	6
≥ 65			1	1			1	3
Total	23	33	24	20	7	2	9	118



August 5, 2016

E-17



PARTICIPANT STATISTICS

Actives by Age and Town Service
Safety

Age	Town Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25								0
25-29	1	1						2
30-34		2	3					5
35-39		1	2	2	1			6
40-44	3	2	1	1	5			12
45-49		1	1		5		1	8
50-54					1	1	1	3
55-59				1	2			3
60-64								0
≥ 65								0
Total	4	7	7	4	14	1	2	39



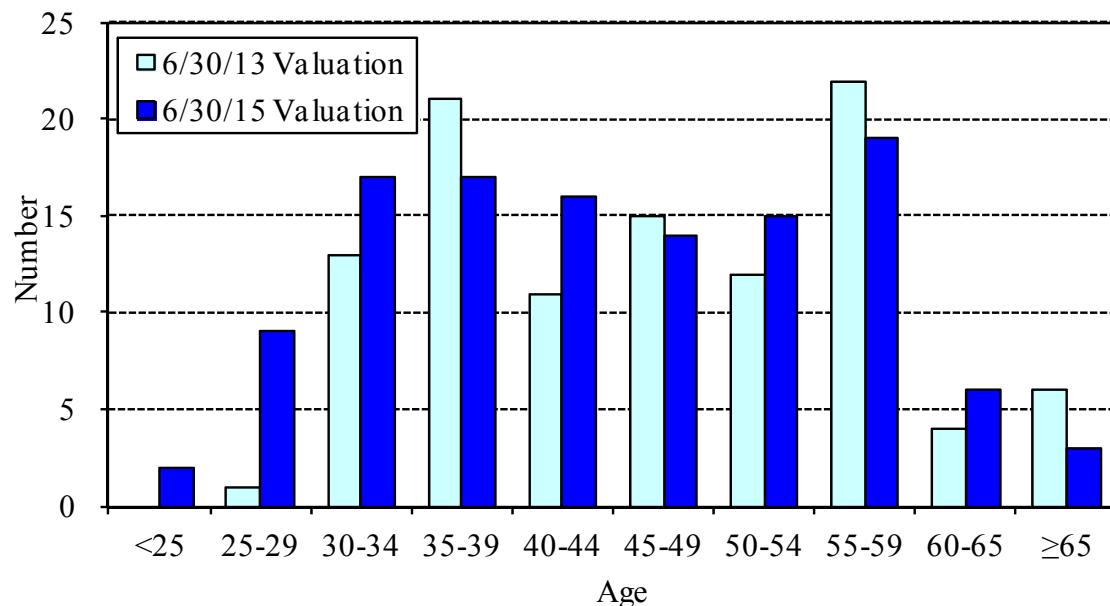
August 5, 2016

E-18



PARTICIPANT STATISTICS

Active Age Distribution Miscellaneous



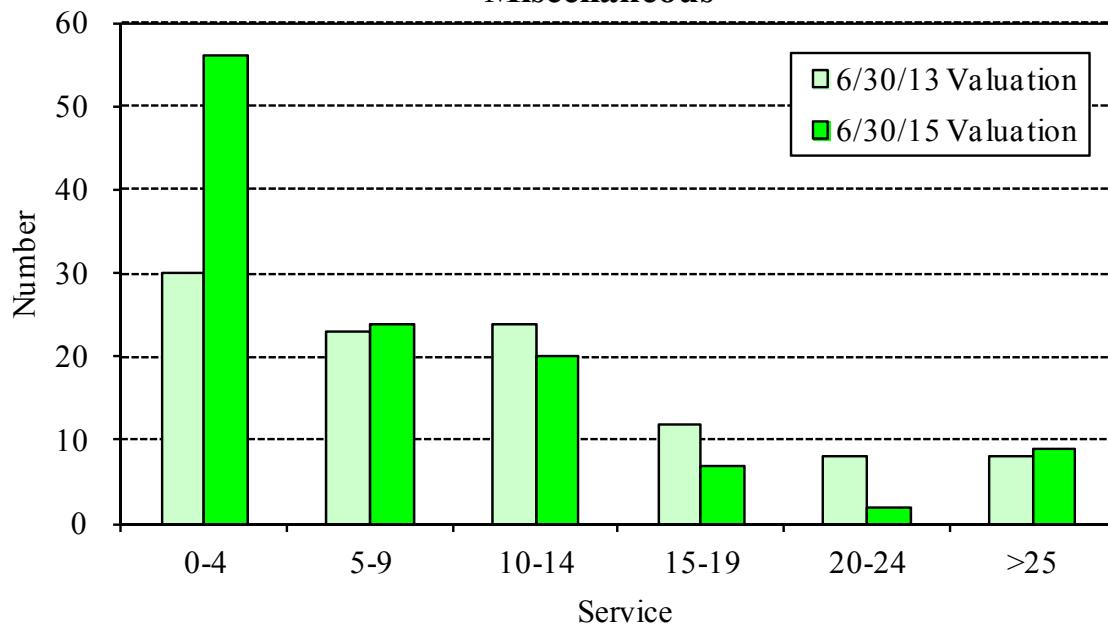
August 5, 2016

E-19



PARTICIPANT STATISTICS

Active Service Distribution Miscellaneous



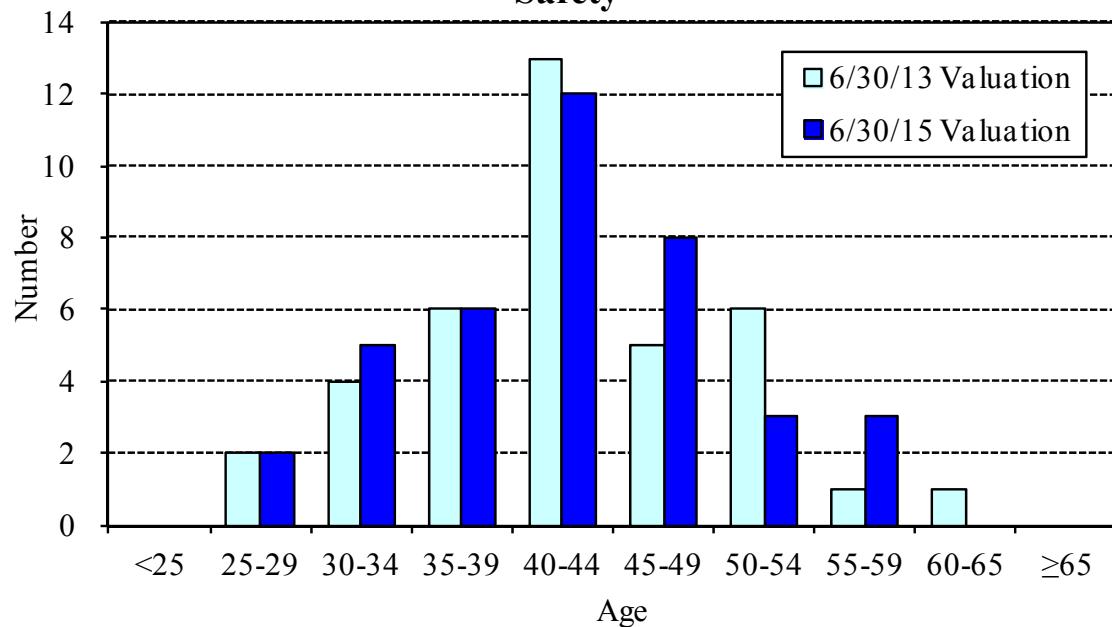
August 5, 2016

E-20



PARTICIPANT STATISTICS

Active Age Distribution Safety



BA

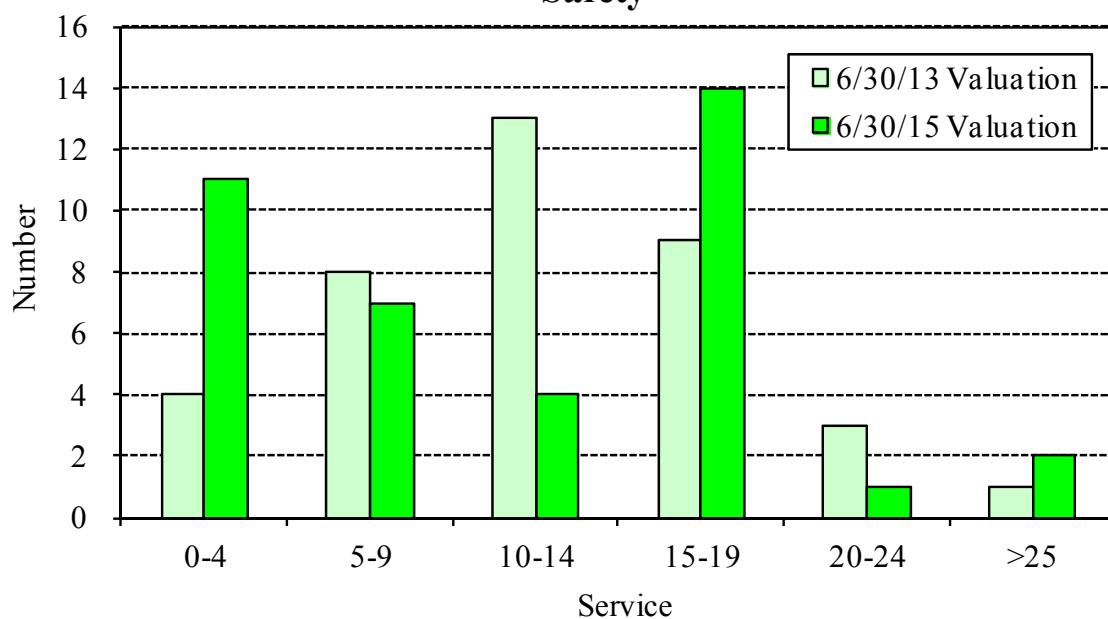
August 5, 2016

E-21



PARTICIPANT STATISTICS

Active Service Distribution Safety



BA

August 5, 2016

E-22



PARTICIPANT STATISTICS

Retiree Medical Coverage by Age Group
Miscellaneous

Age	Single	2-Party	Family	Waived	Total
Under 50					0
50-54	1			1	2
55-59	4	5		3	12
60-64	10	6		2	18
65-69	11	11	1	8	31
70-74	10	11		6	27
75-79	4	1		6	11
80-84	4	2		5	11
85+	4			6	10
Total	48	36	1	37	122

Average Age	70.1	67.7	65.9	73.9	70.5
Election %	57%	42%	1%		
Waived %				30%	



August 5, 2016

E-23



PARTICIPANT STATISTICS

Retiree Medical Coverage by Age Group
Safety

Age	Single	2-Party	Family	Waived	Total
Under 50				3	3
50-54	1	1	2		4
55-59		2	2	2	6
60-64	2	1		5	8
65-69	3	3	1		7
70-74		2		2	4
75-79	1	1		2	4
80-84		1		2	3
85+	1				1
Total	8	11	5	16	40

Average Age	68.2	67.7	57.7	64.1	65.1
Election %	33%	46%	21%		
Waived %				40%	



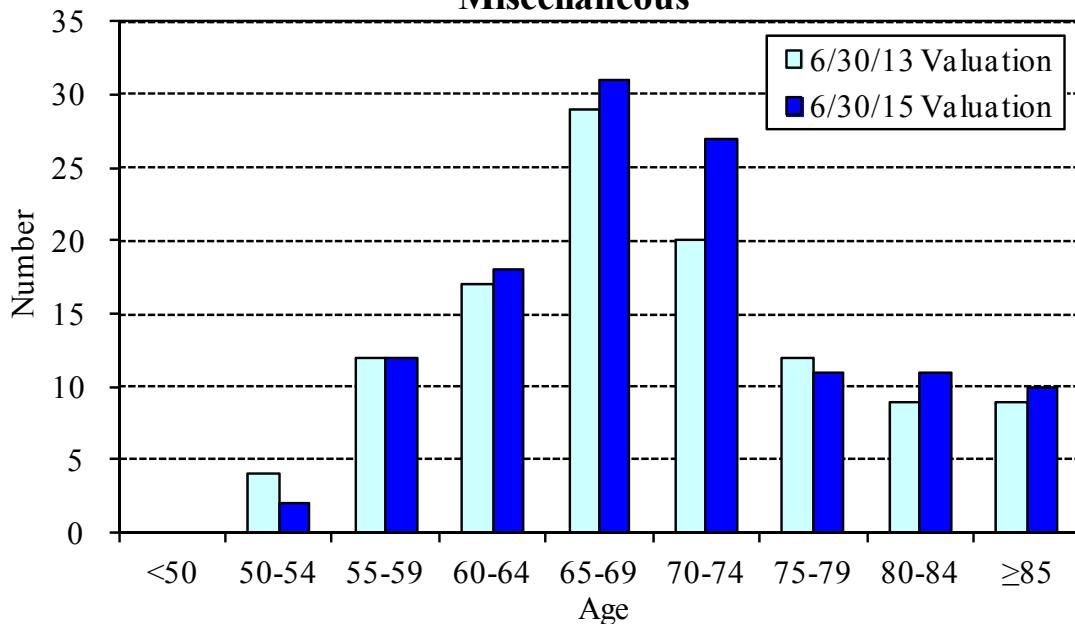
August 5, 2016

E-24



PARTICIPANT STATISTICS

Retiree Age Distribution Miscellaneous



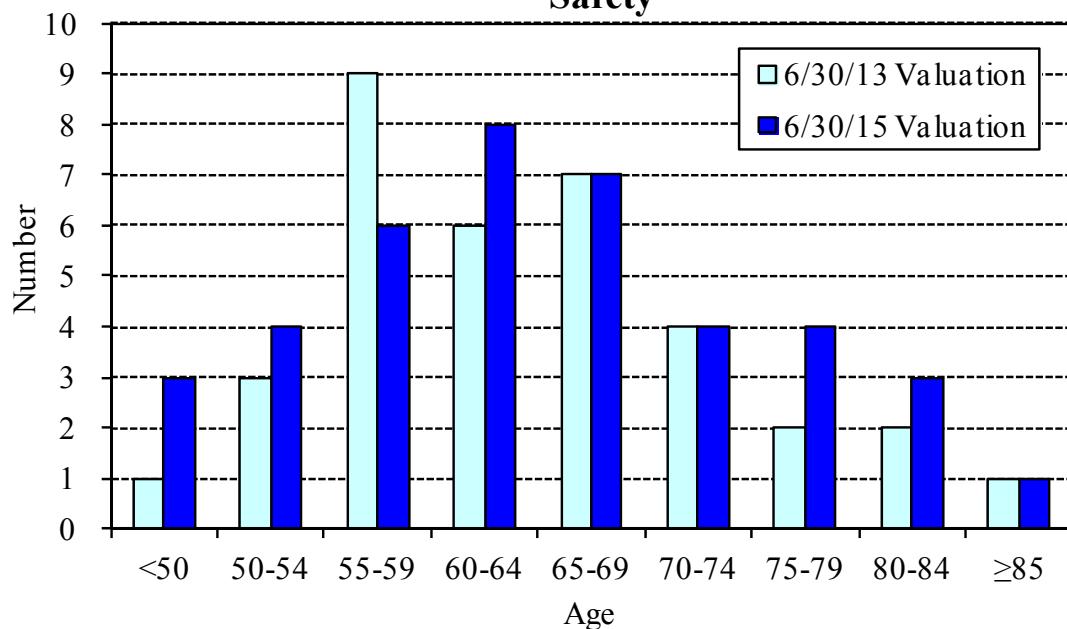
August 5, 2016

E-25



PARTICIPANT STATISTICS

Retiree Age Distribution Safety



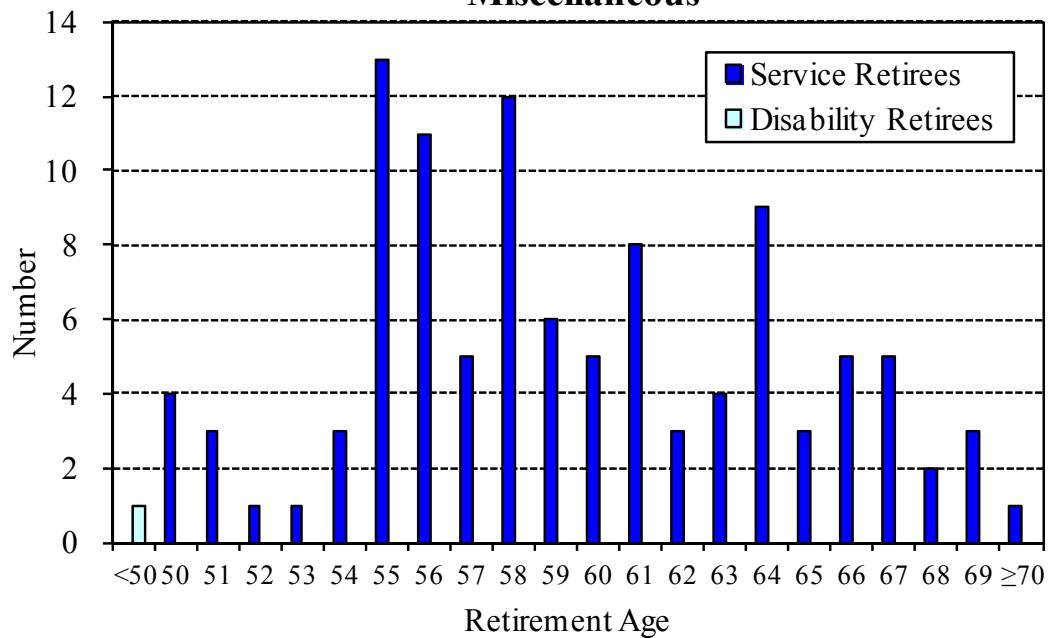
August 5, 2016

E-26



PARTICIPANT STATISTICS

Retirement Age Distribution Miscellaneous



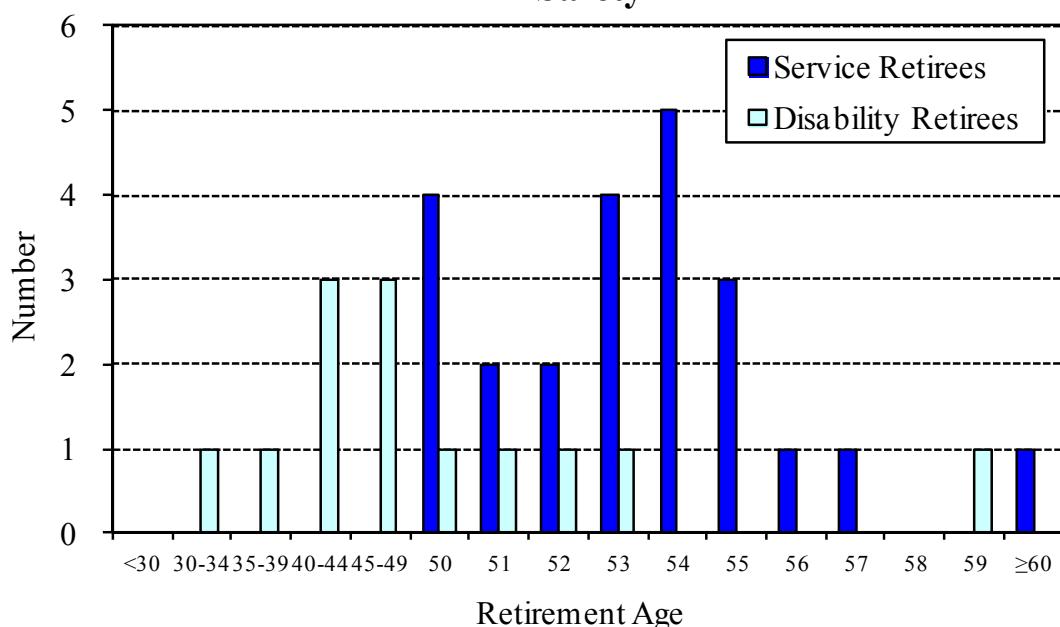
August 5, 2016

E-27



PARTICIPANT STATISTICS

Retirement Age Distribution Safety



August 5, 2016

E-28



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Valuation Date	<ul style="list-style-type: none"> • June 30, 2013 • 2014/15 and 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 ARC and 2017/18 ADC • ARC/ADC 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/ADC
■ Funding Policy	<ul style="list-style-type: none"> • Prefund full ARC less benefit payments with CERBT #1 • Benefit payments currently made from Town assets 	<ul style="list-style-type: none"> • Same
■ General Inflation	<ul style="list-style-type: none"> • 3% annually • Basis for aggregate payroll and discount rate assumptions 	<ul style="list-style-type: none"> • Same



August 5, 2016

E-29



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Discount Rate	<ul style="list-style-type: none"> • 7.25% - Full ARC funding with CERBT #1 	<ul style="list-style-type: none"> • Same
■ 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
■ Merit Payroll Increases	<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"> • Same



August 5, 2016

E-30



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation			June 30, 2015 Valuation		
■ Medical Trend	<u>Increase from Prior Year</u>			<u>Increase from Prior Year</u>		
	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>Year</u>	<u>Non-Medicare</u>	<u>Medicare</u>
	2013	Premiums		2013	n/a	
	2014	Premiums		2014	n/a	
	2015	Premiums		2015	Premiums	
	2016	7.5%	7.8%	2016	Premiums	
	2017	7.0%	7.2%	2017	Premiums	
	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%
■ CalPERS Service	<ul style="list-style-type: none"> • Actual CalPERS service • Used for CalPERS demographic tables which are based on total CalPERS service 			<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% load on cash subsidy 		



August 5, 2016

E-31



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation				June 30, 2015 Valuation			
■ HMO Medical Claims Costs 2017 PEMHCA Implied Subsidy Estimate	<ul style="list-style-type: none"> • Sample estimated monthly claims costs: 				<u>Bay Area Region - Non-Medicare Eligible</u>			
	<u>Age</u>	<u>Anthem Select</u>	<u>Anthem Trad</u>	<u>BS Access+</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	\$230	\$452	\$291	\$572	\$301	\$592	\$241
	35	302	553	381	699	394	724	316
	45	480	581	607	734	628	760	504
	55	802	811	1,013	1,024	1,049	1,061	841
	60	1,024	957	1,294	1,210	1,339	1,253	1,074
	65	1,293	1,165	1,634	1,472	1,692	1,523	1,357
■ PPO Medical Claims Costs 2017 PEMHCA Implied Subsidy Estimate	<ul style="list-style-type: none"> • Sample estimated monthly claims costs: 				<u>Bay Area Region - Non-Medicare Eligible</u>			
	<u>Age</u>	<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>	
	25	\$254	\$418	\$218	\$357	\$297	\$488	\$237
	35	377	580	323	496	441	678	351
	45	599	656	513	561	700	767	558
	55	885	856	758	733	1,036	1,002	826
	60	1,064	984	911	842	1,244	1,151	990
	65	1,321	1,188	1,131	1,017	1,545	1,389	1,231



August 5, 2016

E-32



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																												
<p>■ PEMHCA Administration Fee</p> <ul style="list-style-type: none"> • 0.33% of retiree premium for 2013/14 • 0.34% of retiree premium for 2014/15 • 0.33% of retiree premium for 2015/16 and later years - 5-year average through 2014/15: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Year</u></th> <th style="text-align: center;"><u>Admin Fee</u>²⁷</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2010/11</td> <td style="text-align: center;">0.37%</td> </tr> <tr> <td style="text-align: center;">2011/12</td> <td style="text-align: center;">0.36%</td> </tr> <tr> <td style="text-align: center;">2012/13</td> <td style="text-align: center;">0.25%</td> </tr> <tr> <td style="text-align: center;">2013/14</td> <td style="text-align: center;">0.33%</td> </tr> <tr> <td style="text-align: center;">2014/15</td> <td style="text-align: center;">0.34%</td> </tr> <tr> <td style="text-align: center;">5-Year Ave</td> <td style="text-align: center;">0.33%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u> ²⁷	2010/11	0.37%	2011/12	0.36%	2012/13	0.25%	2013/14	0.33%	2014/15	0.34%	5-Year Ave	0.33%		<ul style="list-style-type: none"> • 0.32% of premium for 2015/16 • 0.31% of premium for 2016/17 • 0.31% of premium for 2017/18 and later years - 5-year average through 2016/17: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Year</u></th> <th style="text-align: center;"><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2012/13</td> <td style="text-align: center;">0.25%</td> </tr> <tr> <td style="text-align: center;">2013/14</td> <td style="text-align: center;">0.33%</td> </tr> <tr> <td style="text-align: center;">2014/15</td> <td style="text-align: center;">0.34%</td> </tr> <tr> <td style="text-align: center;">2015/16</td> <td style="text-align: center;">0.32%</td> </tr> <tr> <td style="text-align: center;">2016/17</td> <td style="text-align: center;"><u>0.31%</u></td> </tr> <tr> <td style="text-align: center;">5-Year Ave</td> <td style="text-align: center;">0.31%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2012/13	0.25%	2013/14	0.33%	2014/15	0.34%	2015/16	0.32%	2016/17	<u>0.31%</u>	5-Year Ave	0.31%
<u>Year</u>	<u>Admin Fee</u> ²⁷																													
2010/11	0.37%																													
2011/12	0.36%																													
2012/13	0.25%																													
2013/14	0.33%																													
2014/15	0.34%																													
5-Year Ave	0.33%																													
<u>Year</u>	<u>Admin Fee</u>																													
2012/13	0.25%																													
2013/14	0.33%																													
2014/15	0.34%																													
2015/16	0.32%																													
2016/17	<u>0.31%</u>																													
5-Year Ave	0.31%																													

²⁷ CalPERS adjusts the administration fee annually in order to maintain a 3-month reserve in the Contingency Reserve Fund.



August 5, 2016

E-33



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Mortality, Termination, Disability</p> <ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study • Mortality improvement projection Scale AA 		<ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study • Mortality Improvement Scale MP-2014 modified to converge to ultimate mortality improvement rates in 2022
<p>■ Vested Termination Retirement</p> <ul style="list-style-type: none"> • Age 60 for hires on and after 12/1/05 with 20 years of Town service 		<ul style="list-style-type: none"> • Same



August 5, 2016

E-34



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																																							
<p>■ Service Retirement</p> <ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 30%;">CalPERS</th> <th style="text-align: center; width: 20%;">Misc</th> <th style="text-align: center; width: 50%;">ERA</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">CalPERS Hire Age</td> <td style="text-align: center;">35</td> <td></td> </tr> <tr> <td style="text-align: center;">Hired < 9/15/12</td> <td style="text-align: center;">2.5%@55</td> <td style="text-align: center;">59.0</td> </tr> <tr> <td style="text-align: center;">Hired \geq 9/15/12</td> <td style="text-align: center;">2%@60</td> <td style="text-align: center;">60.9</td> </tr> <tr> <td style="text-align: center;">Hired \geq 1/1/13</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;"> ➤ Classic Member</td> <td style="text-align: center;">2%@60</td> <td style="text-align: center;">60.9</td> </tr> <tr> <td style="text-align: center;"> ➤ New Member</td> <td style="text-align: center;">2%@62</td> <td style="text-align: center;">60.9</td> </tr> <tr> <td style="text-align: center;">CalPERS</td> <td style="text-align: center;">Safety</td> <td style="text-align: center;">ERA</td> </tr> <tr> <td style="text-align: center;">CalPERS Hire Age</td> <td style="text-align: center;">30</td> <td></td> </tr> <tr> <td style="text-align: center;">Hired < 1/1/13</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td style="text-align: center;">Hired \geq 1/1/13</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;"> ➤ Classic Member</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td style="text-align: center;"> ➤ New Member</td> <td style="text-align: center;">2.7%@57</td> <td style="text-align: center;">57.7</td> </tr> </tbody> </table>	CalPERS	Misc	ERA	CalPERS Hire Age	35		Hired < 9/15/12	2.5%@55	59.0	Hired \geq 9/15/12	2%@60	60.9	Hired \geq 1/1/13			➤ Classic Member	2%@60	60.9	➤ New Member	2%@62	60.9	CalPERS	Safety	ERA	CalPERS Hire Age	30		Hired < 1/1/13	3%@50	55.0	Hired \geq 1/1/13			➤ Classic Member	3%@50	55.0	➤ New Member	2.7%@57	57.7	<ul style="list-style-type: none"> • Same 	
CalPERS	Misc	ERA																																							
CalPERS Hire Age	35																																								
Hired < 9/15/12	2.5%@55	59.0																																							
Hired \geq 9/15/12	2%@60	60.9																																							
Hired \geq 1/1/13																																									
➤ Classic Member	2%@60	60.9																																							
➤ New Member	2%@62	60.9																																							
CalPERS	Safety	ERA																																							
CalPERS Hire Age	30																																								
Hired < 1/1/13	3%@50	55.0																																							
Hired \geq 1/1/13																																									
➤ Classic Member	3%@50	55.0																																							
➤ New Member	2.7%@57	57.7																																							



August 5, 2016

E-35



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Medical Plan at Retirement Retirees < 1/1/15</p> <ul style="list-style-type: none"> • Retirees < 65: <ul style="list-style-type: none"> ➤ Coverage < 65 - Current plan election ➤ Coverage \geq 65 - Weighted current retiree \geq 65 election separately for Miscellaneous and Safety • Retirees \geq 65 - Current plan election 	<ul style="list-style-type: none"> • Current plan election 	



August 5, 2016

E-36



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Medical Plan at Retirement Retirees \geq 1/1/15	<ul style="list-style-type: none"> • Actives & surviving spouses: <ul style="list-style-type: none"> ➢ Currently participating - Current plan election • Currently waived - Weighted average active plan election separately for Miscellaneous and Safety 	<ul style="list-style-type: none"> • Currently participating - Current plan election except: <ul style="list-style-type: none"> ➢ Blue Shield Access+ participants assumed to participate in UnitedHealthcare when eligible for Medicare for 2017 and later years ➢ Blue Shield NetValue participants assumed to participate in Blue Shield Access+ before eligible for Medicare and UnitedHealthcare when eligible for Medicare for 2017 and later years • Currently waived – Kaiser



August 5, 2016

E-37



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Sick Leave	<ul style="list-style-type: none"> • All participants using sick leave conversion will participate after exhaustion of account balance 	<ul style="list-style-type: none"> • Same
■ Participation at Retirement	<ul style="list-style-type: none"> • Actives: <ul style="list-style-type: none"> ➢ Insurance Pgm - 100% ➢ Cash Alloc Pgm - 90% • Retirees with sick leave conversion accounts will continue to participate after account exhausted • Waived Retirees: <ul style="list-style-type: none"> ➢ < 65 - 20% elect at 65 ➢ ≥ 65 - 0% elect to participate ➢ Surviving spouses - 100% 	<ul style="list-style-type: none"> • Same



August 5, 2016

E-38



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Retiree Coverage Election at Retirement	<ul style="list-style-type: none"> • Covered - based on current coverage election • Waived - 80% married and elect 2-party coverage 	<ul style="list-style-type: none"> • Same
■ Marital Status at Retirement	<ul style="list-style-type: none"> • Married if currently elect 2-party or family coverage • 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



August 5, 2016

E-39



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
■ Spouse & Dependent Coverage at Retirement	<ul style="list-style-type: none"> • Surviving spouse coverage - 100% of married retirees elect CalPERS joint and survivor annuity • Family coverage: <ul style="list-style-type: none"> ➢ Current actives: <ul style="list-style-type: none"> - Misc - 10% until age 65 - Safety - 25% until age 65 ➢ Current retirees <ul style="list-style-type: none"> - Current coverage until 65 - No coverage after age 65 	<ul style="list-style-type: none"> • Same
■ 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



August 5, 2016

E-40



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
■ Actuarial Value of 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 ARC & NOO ADC	<ul style="list-style-type: none"> • 30-year fixed (closed) period for 2008/09 ARC • 22-year fixed (closed) period for 6/30/16 projected UAAL for 2016/17 ARC • Amortization period decreases by one year each fiscal year • When amortization period reaches 15 years, experience gains and losses will be amortized over fixed (closed) 15-year periods and plan and assumption changes will be amortized over fixed (closed) 20-year periods
■ Implied Subsidy	<ul style="list-style-type: none"> • Implied subsidy included for non-Medicare eligible retirees



August 5, 2016

E-41



ACTUARIAL METHODS

Method	June 30, 2015 Valuation
■ Future New Entrants	<ul style="list-style-type: none"> • Valuation Results - Closed group, no new hires for first year ARC • Projected ARCs: <ul style="list-style-type: none"> ➢ Simplified open group projection ➢ Total active pay increased in accordance with aggregate payroll assumption ➢ New hires assumed to have same Normal Cost as a percentage of pay as current actives ➢ No additional retirees from new hires over the 10-year projection period



August 5, 2016

E-42



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



August 5, 2016

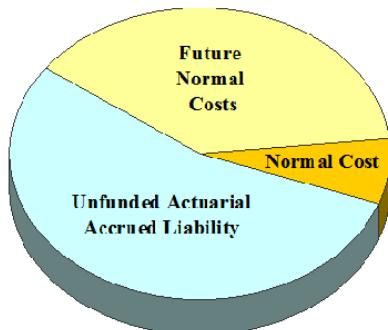
E-43



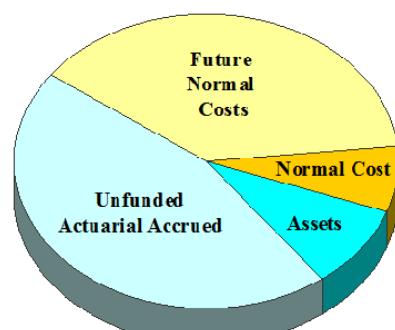
DEFINITIONS

Present Value of Benefits

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



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



August 5, 2016

E-44



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



August 5, 2016

E-45



DEFINITIONS

<p>■ Terminology Used in Report</p>	<ul style="list-style-type: none"> • AAL - Actuarial Accrued Liability • ADC - Actuarially Determined Contribution • 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 • GASB 75 - Governmental Accounting Standards Board Statement No. 75 • MVA - Market Value of Assets • NC - Normal Cost • NOO - Net OPEB Obligation • OPEB - Other (than pensions) Post Employment Benefits • PVB - Present Value of Projected Benefits • UAAL - Unfunded Actuarial Accrued Liability
-------------------------------------	---



August 5, 2016

E-46

