



BARTEL
ASSOCIATES, LLC

**TOWN OF LOS GATOS
RETIREE HEALTHCARE PLAN**

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

| | |
|-------------------------------------|---|
| <p>■ Eligibility</p> | <ul style="list-style-type: none"> ● Retire directly from Town under CalPERS (service or disability) ● Council members in CalPERS eligible |
| <p>■ Retiree Healthcare Benefit</p> | <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 |



BENEFIT SUMMARY

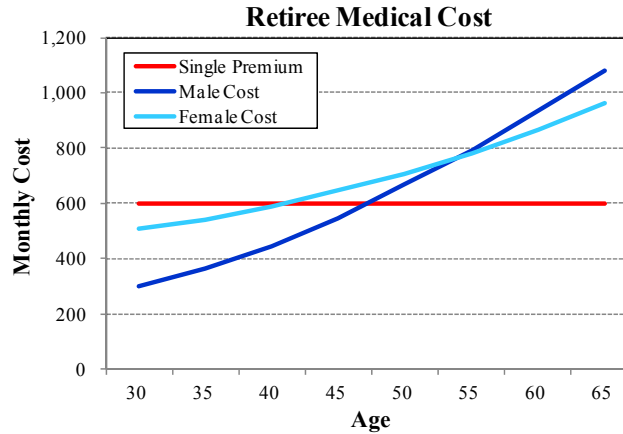
| | |
|------------------------------------|---|
| <p>■ Surviving Spouse Benefit</p> | <ul style="list-style-type: none"> ● Retiree benefit paid to surviving spouse of retiree with CalPERS joint & survivor payment option ● Retiree benefit paid to spouse of active employee who died while eligible to retire receiving CalPERS survivor benefit |
| <p>■ PEMHCA Administration Fee</p> | <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 |
| <p>■ Sick Leave Conversion</p> | <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 |
| <p>■ Other OPEB</p> | <ul style="list-style-type: none"> ● No Town contribution for dental, vision, life insurance, or Medicare Part B premium |



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



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)

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

■ Town Contributions ('000s)

| <u>Fiscal Year</u> | <u>Town PayGo</u> | <u>CERBT Prefunding</u> | <u>CAFR Contribution</u> | <u>ARC</u> |
|--------------------|-------------------|-------------------------|--------------------------|------------|
| 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.



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



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



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.



August 5, 2016



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.



August 5, 2016



PARTICIPANT SUMMARY

Active Participants
June 30, 2015

| Active Participants | Miscellaneous | | | | | | Safety | | | Grand Total |
|-----------------------------|---------------|----------|----------|------------------|----------|-----------|----------|----------|----------|-------------|
| | Elected | Mgmt | Conf | TEA ⁹ | AFSCME | Total | Mgmt | POA | Total | |
| ■ Count | | | | | | | | | | |
| ● Insure Pgm | 3 | 17 | 7 | 40 | 14 | 81 | 4 | 26 | 30 | 111 |
| ● Cash Pgm | <u>0</u> | <u>2</u> | <u>6</u> | <u>28</u> | <u>1</u> | <u>37</u> | <u>0</u> | <u>9</u> | <u>9</u> | <u>46</u> |
| ● 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.



August 5, 2016



PARTICIPANT SUMMARY

Active Participants
June 30, 2013

| Active Participants | Miscellaneous | | | | | | Safety | | | Grand Total |
|-----------------------------|---------------|----------|----------|-------------------|----------|-----------|----------|-----------|-----------|-------------|
| | Elected | Mgmt | Conf | TEA ¹¹ | AFSCME | Total | Mgmt | POA | Total | |
| ■ Count | | | | | | | | | | |
| ● Insure Pgm | 3 | 16 | 5 | 34 | 11 | 69 | 2 | 25 | 27 | 96 |
| ● Cash Pgm | <u>0</u> | <u>2</u> | <u>6</u> | <u>24</u> | <u>4</u> | <u>36</u> | <u>1</u> | <u>10</u> | <u>11</u> | <u>47</u> |
| ● 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.



August 5, 2016



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%.



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% |



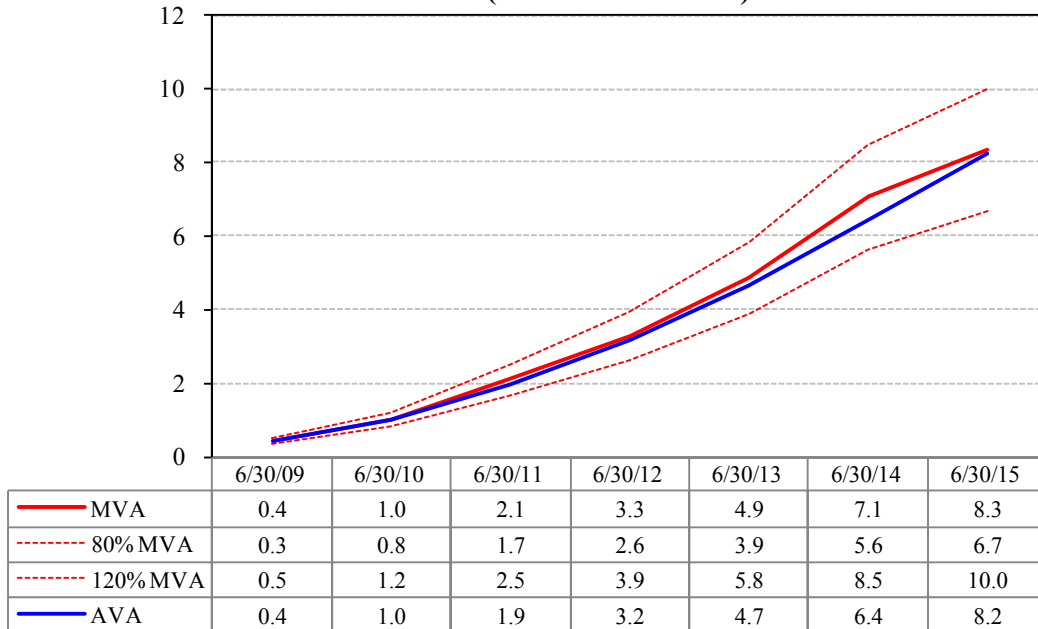
August 5, 2016

12



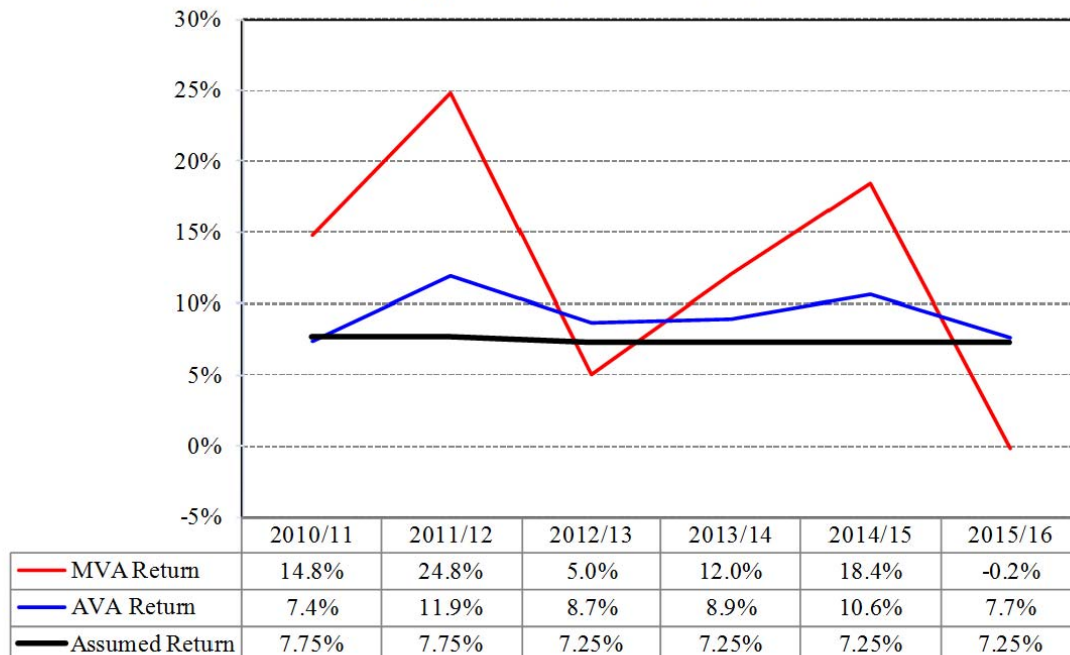
ASSETS

Actuarial Value of Assets (Millions of Dollars)



ASSETS

Approximate Return on Assets



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 | <u>(4)</u> | <u>-</u> | <u>(4)</u> | |
| ■ 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 Payroll ¹⁶ | 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%.



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 |
| PVB ¹⁷ | 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%.



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 <ul style="list-style-type: none"> • Actives • Retirees • Total | \$15,746 <u>10,660</u> 26,406 | \$2,334 <u>1,126</u> 3,460 | \$18,080 <u>11,786</u> 29,866 |
| ■ Actuarial Accrued Liability <ul style="list-style-type: none"> • Actives • Retirees • Total | 7,932 <u>10,660</u> 18,592 | 1,259 <u>1,126</u> 2,385 | 9,191 <u>11,786</u> 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 |



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 - \$ <ul style="list-style-type: none"> • Normal Cost • UAAL Amortization • Total ARC | \$1,031 <u>721</u> 1,752 | \$143 <u>172</u> 315 | \$1,174 <u>893</u> 2,067 |
| ■ Projected Payroll | 15,059 | 15,059 | 15,059 |
| ■ ARC - % <ul style="list-style-type: none"> • Normal Cost • UAAL Amortization • Total ARC | 6.8% <u>4.8%</u> 11.6% | 1.0% <u>1.1%</u> 2.1% | 7.8% <u>5.9%</u> 13.7% |



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



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



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

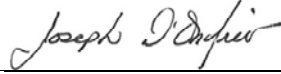
This report presents the Town of Los Gatos Retiree Healthcare Plan (“Plan”) June 30, 2015 actuarial valuation. The purpose of this valuation is to calculate the June 30, 2015 funded status, the 2016/17 Annual Required Contribution, and the 2017/18 Actuarially Determined Contribution.

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



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



25



EXHIBITS

| <u>Topic</u> | <u>Page</u> |
|------------------------|-------------|
| Premiums | E-1 |
| Participant Statistics | E-9 |
| Actuarial Assumptions | E-29 |
| Actuarial Methods | E-41 |
| Definitions | E-43 |



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 |



PREMIUMS



This page intentionally blank



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% |



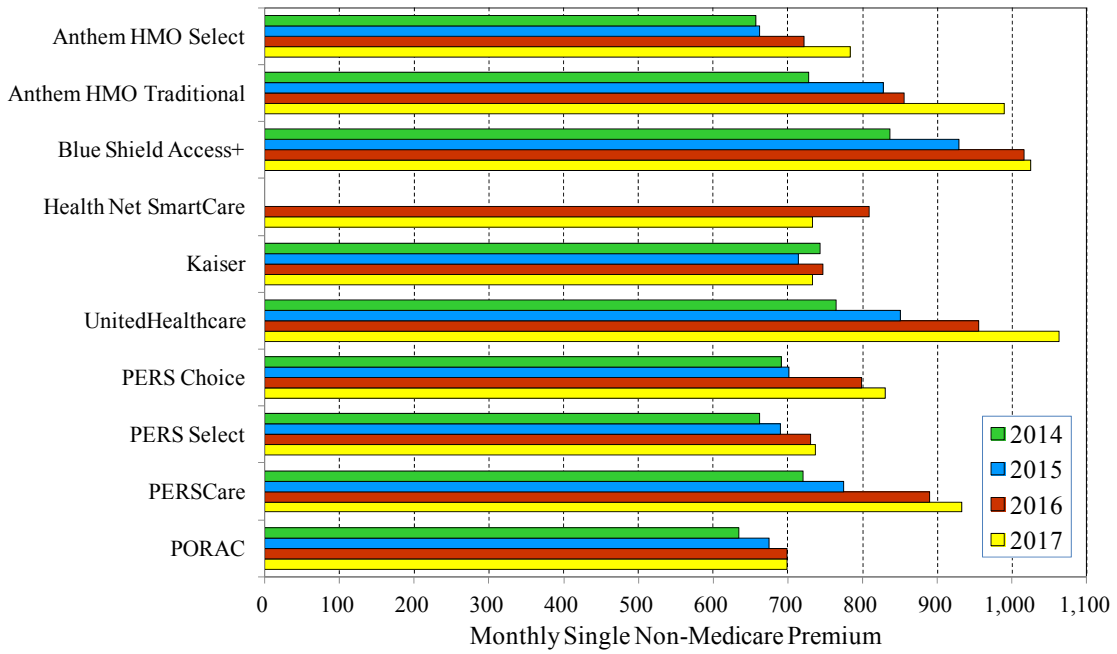
August 5, 2016

E-6



PREMIUMS

PEMHCA Non-Medicare Eligible Premiums Bay Area



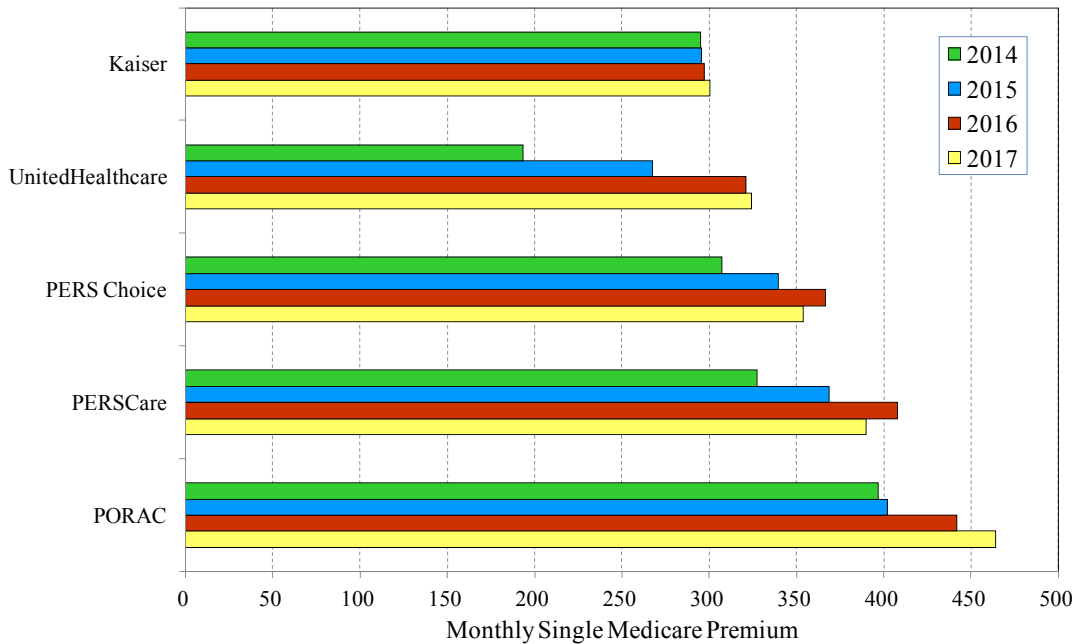
August 5, 2016

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.



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.



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% | |



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% | |



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% | |



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% | |



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 |



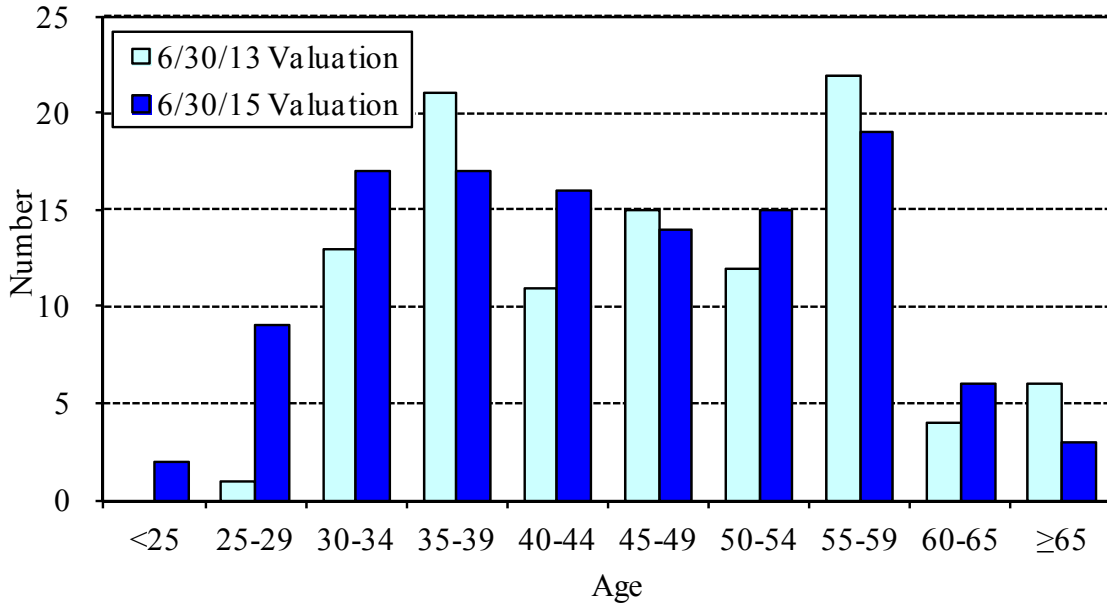
August 5, 2016

E-18



PARTICIPANT STATISTICS

Active Age Distribution
Miscellaneous



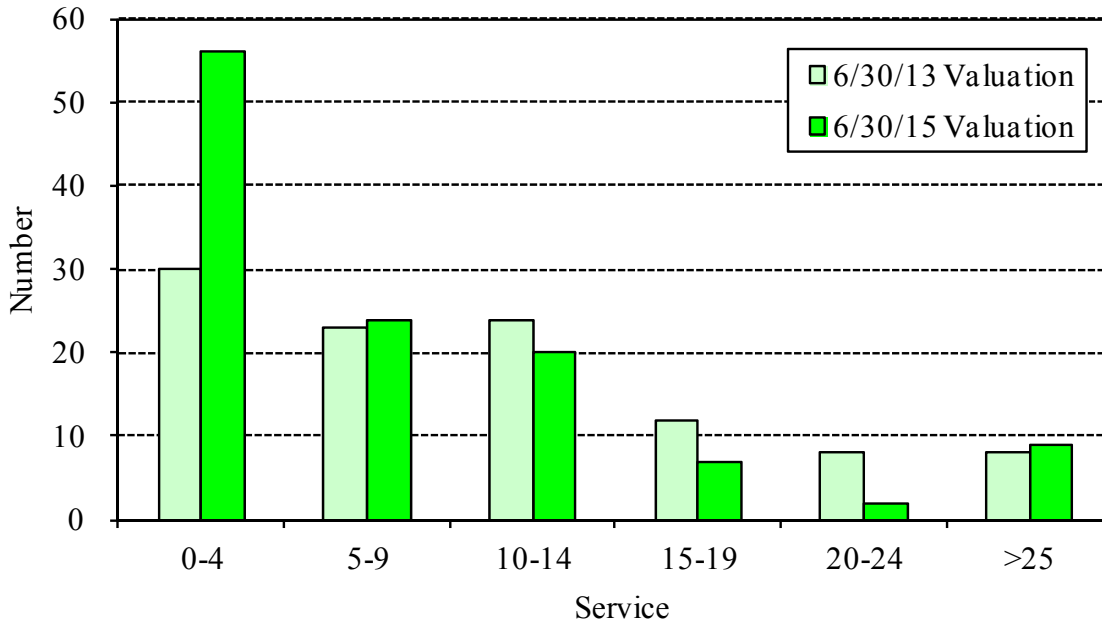
August 5, 2016

E-19



PARTICIPANT STATISTICS

Active Service Distribution
Miscellaneous



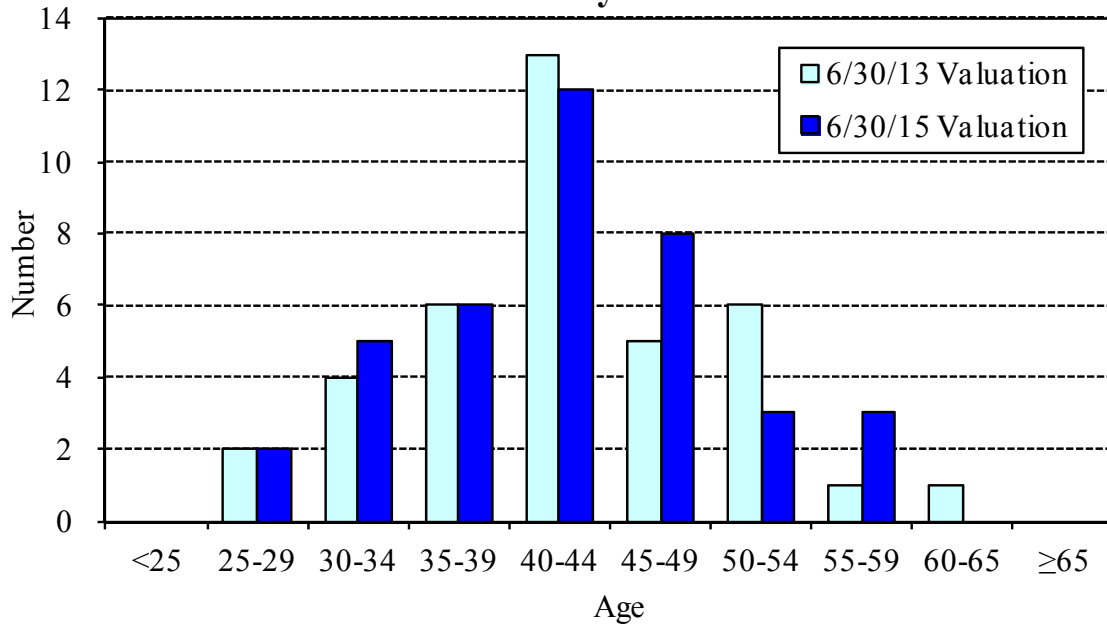
August 5, 2016

E-20



PARTICIPANT STATISTICS

Active Age Distribution
Safety



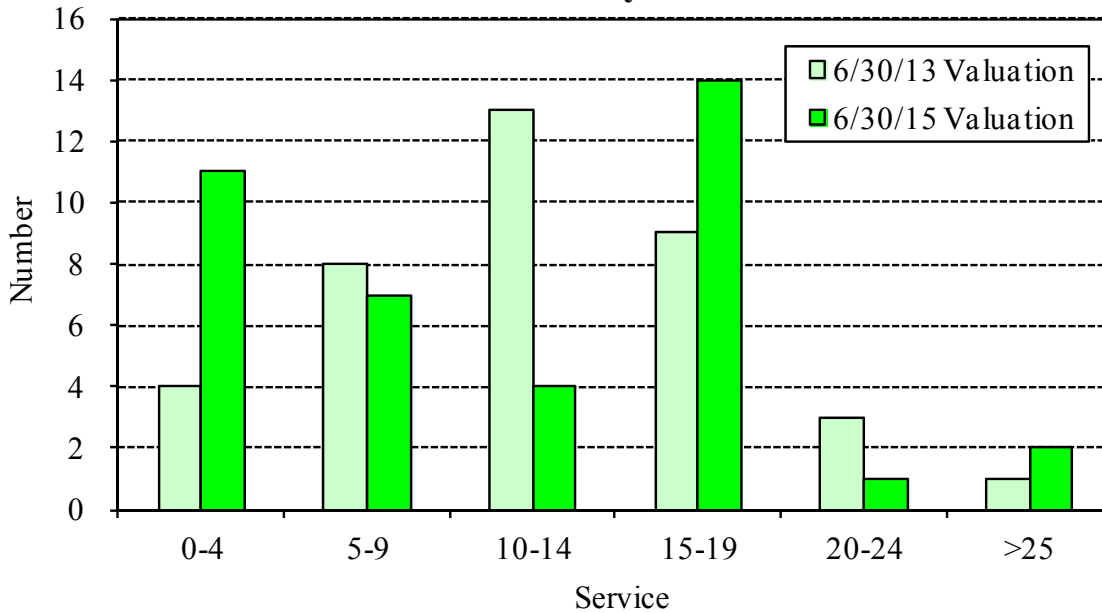
August 5, 2016

E-21



PARTICIPANT STATISTICS

Active Service Distribution
Safety



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

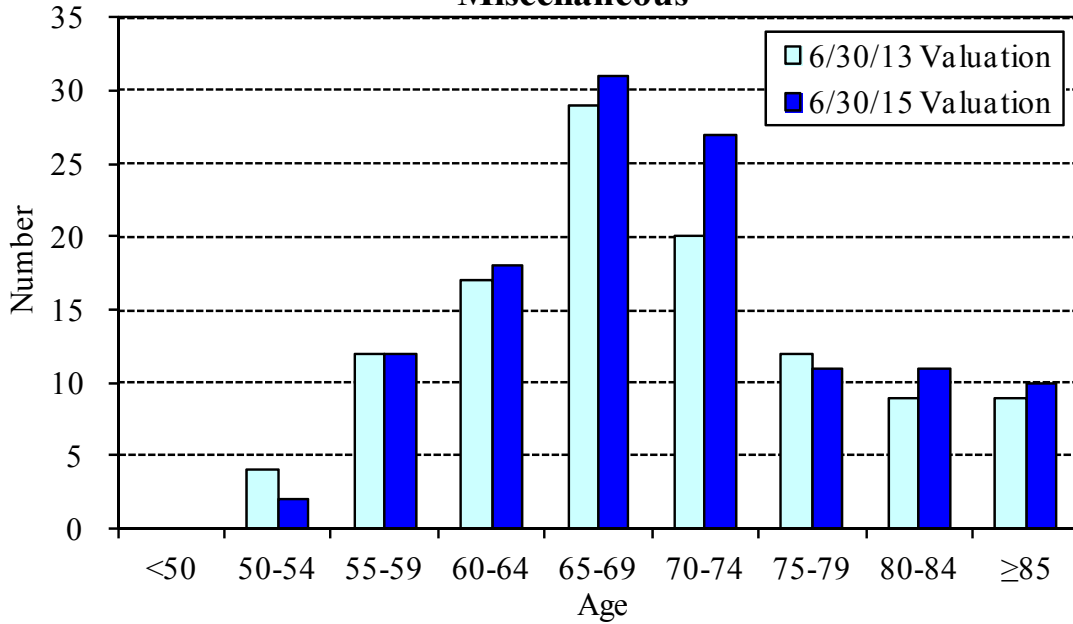
E-24



PARTICIPANT STATISTICS

Retiree Age Distribution

Miscellaneous



August 5, 2016

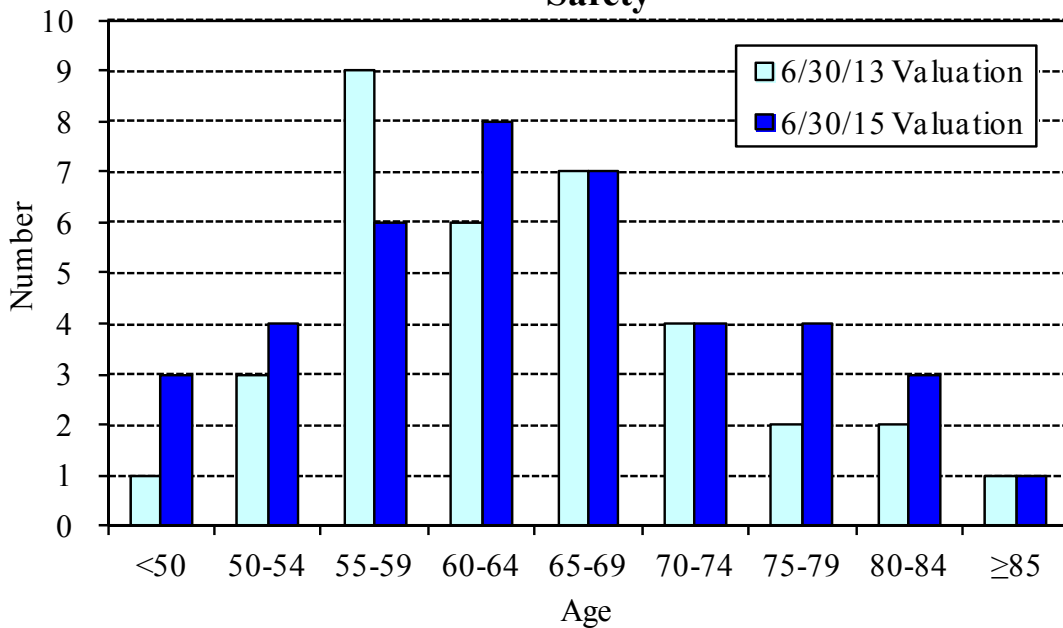
E-25



PARTICIPANT STATISTICS

Retiree Age Distribution

Safety



August 5, 2016

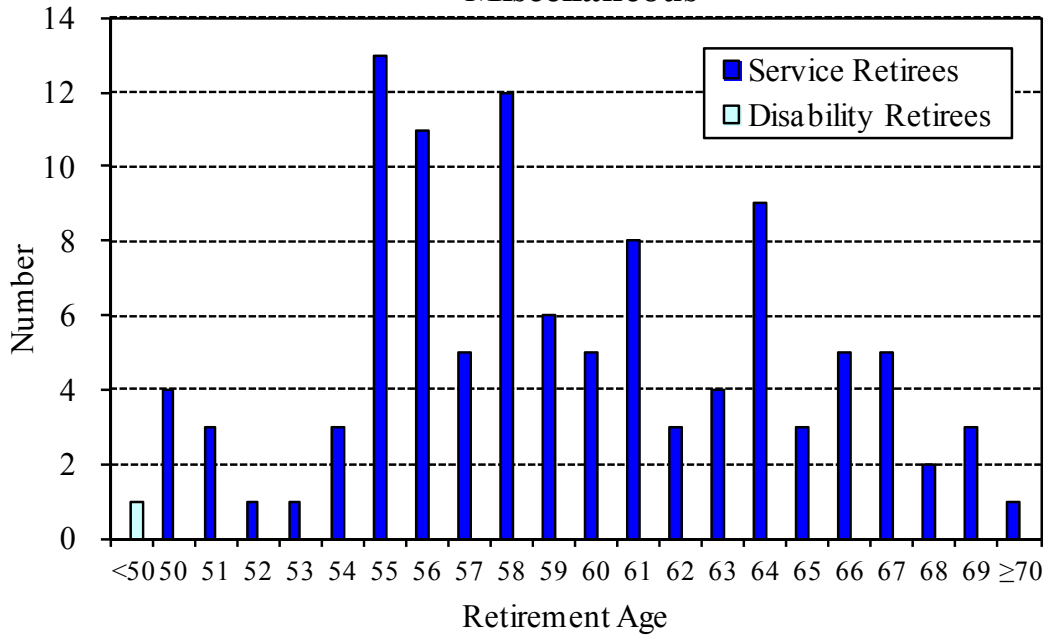
E-26



PARTICIPANT STATISTICS

Retirement Age Distribution

Miscellaneous



August 5, 2016

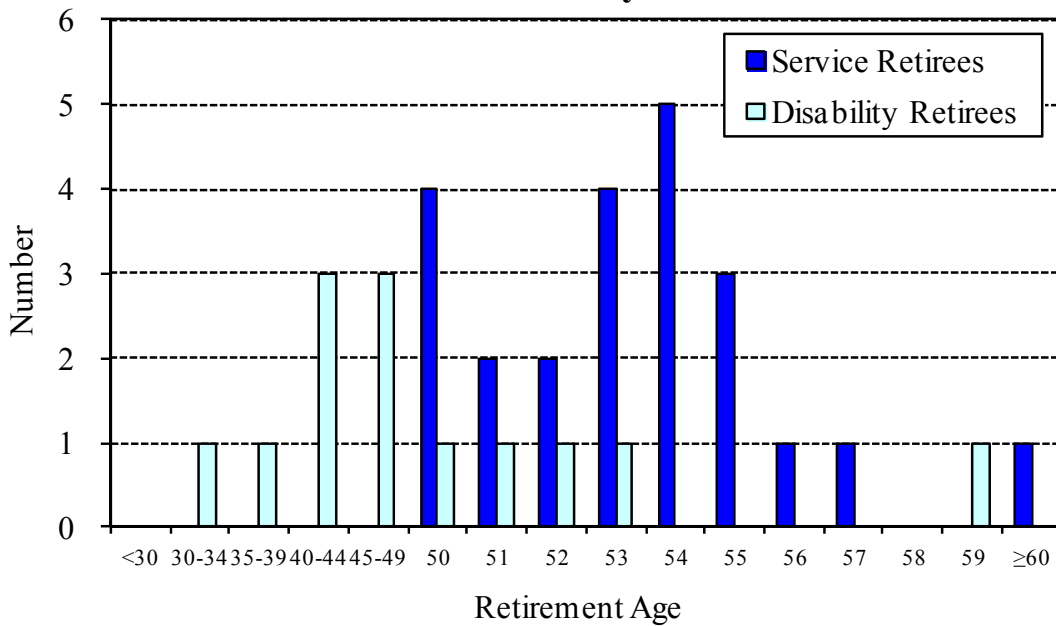
E-27



PARTICIPANT STATISTICS

Retirement Age Distribution

Safety



August 5, 2016

E-28



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|----------------------------|--|---|
| <p>■ Valuation Date</p> | <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 |
| <p>■ Funding Policy</p> | <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 |
| <p>■ General Inflation</p> | <ul style="list-style-type: none"> • 3% annually • Basis for aggregate payroll and discount rate assumptions | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

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



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation | |
|--|--|---|---|
| ■ Medical Trend | <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>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> | <u>M</u> | <u>F</u> |
| | 25 | \$230 | \$452 | \$291 | \$572 | \$301 | \$592 | \$241 | \$475 |
| | 35 | 302 | 553 | 381 | 699 | 394 | 724 | 316 | 581 |
| | 45 | 480 | 581 | 607 | 734 | 628 | 760 | 504 | 610 |
| | 55 | 802 | 811 | 1,013 | 1,024 | 1,049 | 1,061 | 841 | 851 |
| | 60 | 1,024 | 957 | 1,294 | 1,210 | 1,339 | 1,253 | 1,074 | 1,005 |
| | 65 | 1,293 | 1,165 | 1,634 | 1,472 | 1,692 | 1,523 | 1,357 | 1,222 |
| ■ 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>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 | \$254 | \$418 | \$218 | \$357 | \$297 | \$488 | \$237 | \$389 |
| | 35 | 377 | 580 | 323 | 496 | 441 | 678 | 351 | 540 |
| | 45 | 599 | 656 | 513 | 561 | 700 | 767 | 558 | 611 |
| | 55 | 885 | 856 | 758 | 733 | 1,036 | 1,002 | 826 | 799 |
| | 60 | 1,064 | 984 | 911 | 842 | 1,244 | 1,151 | 990 | 917 |
| | 65 | 1,321 | 1,188 | 1,131 | 1,017 | 1,545 | 1,389 | 1,231 | 1,107 |



August 5, 2016

E-32



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------|--|--|--------------------------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|--------------|------------|-------|---|-------------|------------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|--------------|------------|-------|
| ■ PEMHCA Administration Fee | <ul style="list-style-type: none"> • 0.33% of retiree premium for 2013/14 • 0.34% of retiree premium for 2014/15 • 0.33% of retiree premium for 2015/16 and later years - 5-year average through 2014/15: | <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 border="0"> <tr> <td><u>Year</u></td> <td><u>Admin Fee</u>²⁷</td> </tr> <tr> <td>2010/11</td> <td>0.37%</td> </tr> <tr> <td>2011/12</td> <td>0.36%</td> </tr> <tr> <td>2012/13</td> <td>0.25%</td> </tr> <tr> <td>2013/14</td> <td>0.33%</td> </tr> <tr> <td>2014/15</td> <td><u>0.34%</u></td> </tr> <tr> <td>5-Year Ave</td> <td>0.33%</td> </tr> </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 | <u>0.34%</u> | 5-Year Ave | 0.33% | <table border="0"> <tr> <td><u>Year</u></td> <td><u>Admin Fee</u></td> </tr> <tr> <td>2012/13</td> <td>0.25%</td> </tr> <tr> <td>2013/14</td> <td>0.33%</td> </tr> <tr> <td>2014/15</td> <td>0.34%</td> </tr> <tr> <td>2015/16</td> <td>0.32%</td> </tr> <tr> <td>2016/17</td> <td><u>0.31%</u></td> </tr> <tr> <td>5-Year Ave</td> <td>0.31%</td> </tr> </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 | <u>0.34%</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 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.



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|---|---|--|
| ■ Mortality, Termination, Disability | <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 |
| ■ Vested Termination Retirement | <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 |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--------------------------------|----------------|---------------|------------------|------------------|----|-----------------|----------------|-------|-----------------|----------------|------|----------------|------------------|-------|------------------|--------------|---------|--------------|-------|------|--|--|--|----------------|---------------|------------|------------------|----|--|----------------|-------|------|----------------|--|--|------------------|-------|------|--------------|---------|------|--|
| ■ Service Retirement | <ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>CalPERS</u></td> <td style="text-align: center;"><u>Misc</u></td> <td style="text-align: center;"><u>ERA</u></td> </tr> <tr> <td>CalPERS Hire Age</td> <td style="text-align: center;">35</td> <td></td> </tr> <tr> <td>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>Hired ≥ 9/15/12</td> <td style="text-align: center;">2%@60</td> <td style="text-align: center;">60.9</td> </tr> <tr> <td>Hired ≥ 1/1/13</td> <td></td> <td></td> </tr> <tr> <td>➤ Classic Member</td> <td style="text-align: center;">2%@60</td> <td style="text-align: center;">60.9</td> </tr> <tr> <td>➤ New Member</td> <td style="text-align: center;">2%@62</td> <td style="text-align: center;">60.9</td> </tr> <tr> <td colspan="3" style="padding-top: 10px;"> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>CalPERS</u></td> <td style="text-align: center;"><u>Safety</u></td> <td style="text-align: center;"><u>ERA</u></td> </tr> <tr> <td>CalPERS Hire Age</td> <td style="text-align: center;">30</td> <td></td> </tr> <tr> <td>Hired < 1/1/13</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>Hired ≥ 1/1/13</td> <td></td> <td></td> </tr> <tr> <td>➤ Classic Member</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>➤ New Member</td> <td style="text-align: center;">2.7%@57</td> <td style="text-align: center;">57.7</td> </tr> </table> </td> </tr> </table> | <u>CalPERS</u> | <u>Misc</u> | <u>ERA</u> | CalPERS Hire Age | 35 | | Hired < 9/15/12 | 2.5%@55 | 59.0 | Hired ≥ 9/15/12 | 2%@60 | 60.9 | Hired ≥ 1/1/13 | | | ➤ Classic Member | 2%@60 | 60.9 | ➤ New Member | 2%@62 | 60.9 | <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>CalPERS</u></td> <td style="text-align: center;"><u>Safety</u></td> <td style="text-align: center;"><u>ERA</u></td> </tr> <tr> <td>CalPERS Hire Age</td> <td style="text-align: center;">30</td> <td></td> </tr> <tr> <td>Hired < 1/1/13</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>Hired ≥ 1/1/13</td> <td></td> <td></td> </tr> <tr> <td>➤ Classic Member</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>➤ New Member</td> <td style="text-align: center;">2.7%@57</td> <td style="text-align: center;">57.7</td> </tr> </table> | | | <u>CalPERS</u> | <u>Safety</u> | <u>ERA</u> | CalPERS Hire Age | 30 | | Hired < 1/1/13 | 3%@50 | 55.0 | Hired ≥ 1/1/13 | | | ➤ Classic Member | 3%@50 | 55.0 | ➤ New Member | 2.7%@57 | 57.7 | <ul style="list-style-type: none"> • Same |
| <u>CalPERS</u> | <u>Misc</u> | <u>ERA</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CalPERS Hire Age | 35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hired < 9/15/12 | 2.5%@55 | 59.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hired ≥ 9/15/12 | 2%@60 | 60.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hired ≥ 1/1/13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ➤ Classic Member | 2%@60 | 60.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ➤ New Member | 2%@62 | 60.9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u>CalPERS</u></td> <td style="text-align: center;"><u>Safety</u></td> <td style="text-align: center;"><u>ERA</u></td> </tr> <tr> <td>CalPERS Hire Age</td> <td style="text-align: center;">30</td> <td></td> </tr> <tr> <td>Hired < 1/1/13</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>Hired ≥ 1/1/13</td> <td></td> <td></td> </tr> <tr> <td>➤ Classic Member</td> <td style="text-align: center;">3%@50</td> <td style="text-align: center;">55.0</td> </tr> <tr> <td>➤ New Member</td> <td style="text-align: center;">2.7%@57</td> <td style="text-align: center;">57.7</td> </tr> </table> | | | <u>CalPERS</u> | <u>Safety</u> | <u>ERA</u> | CalPERS Hire Age | 30 | | Hired < 1/1/13 | 3%@50 | 55.0 | Hired ≥ 1/1/13 | | | ➤ Classic Member | 3%@50 | 55.0 | ➤ New Member | 2.7%@57 | 57.7 | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>CalPERS</u> | <u>Safety</u> | <u>ERA</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CalPERS Hire Age | 30 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hired < 1/1/13 | 3%@50 | 55.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hired ≥ 1/1/13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ➤ Classic Member | 3%@50 | 55.0 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ➤ New Member | 2.7%@57 | 57.7 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

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



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"> • 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 |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|--------------------------------------|--|--|
| <p>■ Sick Leave</p> | <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 |
| <p>■ Participation at Retirement</p> | <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 |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|---|---|--|
| <ul style="list-style-type: none"> ■ 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 |
| <ul style="list-style-type: none"> ■ 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 |
| <ul style="list-style-type: none"> ■ Spouse Age | <ul style="list-style-type: none"> • Actives - males 3 years older than females • Retirees - males 3 years older than females if spouse birth date not provided | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2013 Valuation | June 30, 2015 Valuation |
|---|--|--|
| <ul style="list-style-type: none"> ■ 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 |
| <ul style="list-style-type: none"> ■ Medicare Eligibility | <ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • Medicare eligible retirees will elect Part B coverage | <ul style="list-style-type: none"> • Same |



ACTUARIAL 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 |



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 |



DEFINITIONS

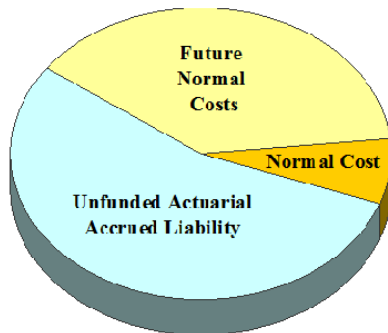
| | |
|---|--|
| <p>■ GASB 45 Accrual Accounting</p> | <ul style="list-style-type: none"> ● Project future employer-provided benefit cash flow for current active employees and current retirees ● Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine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



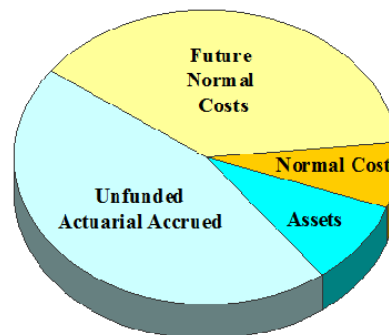
DEFINITIONS

Present Value of Benefits

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



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



DEFINITIONS

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



DEFINITIONS

| | |
|-------------------------------------|---|
| <p>■ Terminology Used in Report</p> | <ul style="list-style-type: none"> ● AAL - Actuarial Accrued Liability ● 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 |
|-------------------------------------|---|

