Bickmore Risk Services

August 20, 2012

Mr. Larry Chapin
Assistant Auditor
County of San Benito
County Administration Bldg.
481 4th St., 2nd Floor
Hollister, CA 95023-3840

Re: July 1, 2011 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Larry:

We are pleased to enclose our report providing the results of the July 1, 2011 actuarial valuation of “other post-employment benefits” (OPEB) liabilities for San Benito County (the County). The report’s text describes our analysis and assumptions in detail.

This valuation was prepared with the understanding that:

- The results of this valuation will be applied to determine the annual OPEB expense for the County’s fiscal years ending June 30, 2013 and June 30, 2014.
- The County will continue to follow its previously established policy of prefunding OPEB liabilities through the irrevocable trust account with the California Employers’ Retiree Benefit Trust (CERBT).
- The County intends to adopt the new CERBT asset allocation Strategy 1. Accordingly, liabilities were calculated based on a 7.61% discount rate, as permitted by CERBT.
- The County will continue to follow its existing PEMHCA resolutions on file with CalPERS. We have based our valuation on these resolutions and other plan information provided to us. We encourage the County to review our summary of the benefits described in Table 3A to be comfortable that we have captured these provisions correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the County’s staff, who provided valuable information and assistance to enable us to perform this valuation. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA
Director, Health and Benefit Actuarial Services

Enclosure

Bickmore Risk Services & Consulting

San Benito County

Actuarial Valuation of Other Post-Employment Benefit Programs as of

July 1, 2011

August 2012

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Table of Contents

A. Executive Summary

This report presents the results of the July 1, 2011 actuarial valuation of San Benito County (the County) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

While the prior valuation was prepared using a 7.75% discount rate, this valuation was prepared using a 7.61% discount rate. This rate reflects our understanding that the County will continue to contribute 100% of the ARC each year to which this valuation is applied. The discount rate also reflects the asset allocation strategy selected by the County for their assets, which are invested in the California Employers' Retiree Benefit Trust (CERBT). Use of this rate is not a guarantee of future investment performance, but rather an assumption about the expected long term rate of return.

Exhibits presented in this report are based on the following assumptions:

- The results of the July 1, 2011 valuation will be applied in determining the annual OPEB expense for the fiscal years ending June 30, 2013 and 2014.
- The annual OPEB expense for the fiscal year ending June 30, 2012 will be developed from the results of the April 1, 2011 valuation and the County's net OPEB obligation will be $0 on June 30, 2012.

Based on the assumptions noted above, we calculate the GASB 45 actuarial accrued liability (AAL) to be $33,920,946 and the normal cost to be $1,492,494 as of July 1, 2011. The County reported assets in CERBT on this date of $8,679,612 to offset these liabilities. Thus, the unfunded accrued liability as of July 1, 2011 is $25,241,334, and the funded ratio is 25.6%.

We adjust these results to the years to which the valuation will be applied. The following summarizes results for the fiscal year ending June 30, 2013:

- The annual required contribution (ARC) is $3,195,456.
- County contributions are assumed to equal the ARC. It is expected that the County will pay its portion of retiree premiums during the period (estimated to total $1,442,796), and contribute the balance of the ARC to CERBT.
- Based on the calculations and contributions described above, we project a net OPEB obligation of $0 on June 30, 2013.

These results are shown in tables beginning on page 11. Projected results for the fiscal year ending June 30, 2014 are also shown in these tables.

The liabilities shown in the report reflect assumptions regarding continued future employment, rates of retirement and survival, and elections by future retirees to retain coverage for themselves and their dependents. To the extent that actual experience is not what we assumed, future results will be different. We also note that this valuation has been prepared on a closed group basis; no provision is made for new employees.

Executive Summary (Concluded)

Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages.

The next valuation is scheduled to be prepared as of July 1, 2013 as required for continued participation in CERBT. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

B. Requirements of GASB 45

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. We understand that the County implemented GASB 45 for the fiscal year ended June 30, 2009.

GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary. If the County's OPEB contributions equal the ARC each year, the net OPEB obligation will equal $0. If the County's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C).

The decision whether or not to prefund, and at what level, is at the discretion of the County, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the County's auditor may have an opinion as to the timing and manner of any change to such policy in future years. The level of prefunding also affects the selection of the discount rate used for valuing the liabilities.

We note that various issues in this report may involve legal analysis of applicable law or regulations. The County should consult counsel on these matters; Bickmore Risk Services (Bickmore) does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the County consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

C. Sources of OPEB Liabilities

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are:

- Medical
- Dental
- Prescription drug
- Vision
- Life insurance

Other possible post-employment benefits may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include vacation, sick leave[1] or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB is referred to as an "explicit" subsidy and these are included in the determination of OPEB liabilities. In addition, if claims experience of employees and retirees are pooled when determining premiums, the retirees pay a premium based on a pool of members that, on average, are younger and healthier. For certain types of coverage, such as medical, payment of the same premium rate results in an "implicit subsidy" of retiree claims by active employee premiums since the retiree premiums are lower than they would have been if the retirees were insured separately. Paragraph 13.a. of GASB 45 generally requires an implicit subsidy of retiree premium rates be valued as an OPEB liability.

Exceptions may exist when the plan is part of a "community-rated" program. GASB guidance indicates that an agency whose membership is a small portion (in the neighborhood of 1%) of the total coverage of a multiple employer plan may reasonably conclude that any change in their group's mix of retirees and active employees would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

OPEB Obligations of the County

The County provides continuation of medical coverage to its retiring employees. For retirees and their dependent(s) who have chosen to retain this coverage:

- The County contributes directly to the cost of retiree medical coverage. These benefits are described in Table 3A and liabilities have been included in this valuation.
- Employees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated ("OPEB Assumption Model", April 2010) and the County's membership in this program is incidental relative to the total number of members covered. This report, therefore, does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.

[1] When a terminating employee's unused sick leave credits are converted to provide or enhance a defined benefit OPEB, e.g., healthcare benefits, such converted sick leave credits should be valued under GASB 45.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the County in May 2012 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that it is reasonable in various respects, the data has not been audited and we have otherwise relied on the County as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3, based on information supplied to BRS by the County. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

In the specific development of the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. We then calculate a present value of these benefits as of the valuation date.

- These present value determinations reflect assumptions for the likelihood that an employee may not continue in service with the County to receive benefits.
- For those that do, appropriate assumptions are made to reflect the probability of retirement at various ages.
- After reduction for the probability an employee may not receive a benefit, for the remaining probability he or she does, those benefits reflect assumptions as to whether they will elect coverage for themselves and/or dependents.
- The cost of benefits payable, once they begin for each employee, reflect expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefits will cease.
- These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 70 years or more.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "actuarial accrued liability" (AAL). The amount of future OPEB cost allocated to the current year is referred to as the "normal cost". The remaining cost to be assigned to future years is called the "present value of future normal costs".

In summary:

Actuarial Accrued Liability	Past Years' Costs
plus Normal Cost	Current Year's Cost
<u>*plus* Present Value of Future Normal Costs</u>	<u>Future Years' Costs</u>
equals Present Value of Future Benefits	Total Benefit Costs

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. The value of assets invested in the County's CERBT account on June 30, 2011 was reported to be $8,679,612. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

The following chart compares the results of the July 1, 2011 valuation of OPEB liabilities (Column 2) to the results of the April 1, 2011 valuation (Column 1).

	Prefunding Basis	
Valuation date	**4/1/2011**	**7/1/2011**
Discount rate	7.75%	7.61%
Number of Covered Employees		
Actives	442	433
Retirees	139	146
Total Participants	581	579
Actuarial Present Value of Projected Benefits		
Actives	$ 31,986,400	$ 30,113,698
Retirees	16,466,793	15,386,083
Total APVPB	48,453,193	45,499,781
Actuarial Accrued Liability (AAL)		
Actives	18,196,731	18,534,863
Retirees	16,466,793	15,386,083
Total AAL	34,663,524	33,920,946
Actuarial Value of Assets	6,134,682	8,679,612
Unfunded AAL (UAAL)	28,528,842	25,241,334
Normal Cost	1,640,370	1,492,494
Benefit Payments		
Actives (in retirement)	-	-
Retirees	880,761	1,084,618
Total	880,761	1,084,618

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 25.6% as of July 1, 2011. Covered payroll as of July 1, 2011 was reported to be $26,580,105. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 95.0% as of this date.

Changes Since the Prior Valuation

Even if all of our previous assumptions were met exactly as projected, liabilities generally increase over time as active employees get closer to the date their benefits are expected to begin. Of course, our prior assumptions were *not* exactly realized. The current status of every active employee and retiree is not exactly as we assumed. In addition, current healthcare premiums, particularly those for Medicare eligible retires, are lower than what we had projected.

Basic Valuation Results (Concluded)

In comparing results shown in the exhibit on the prior page, we can see that the change in the AAL over the 3 month period between April 1, 2011 and July 1, 2011 was a decrease of approximately $743,000. In fact, we expected the AAL to increase roughly $850,000 due to the passage of time and additional cost accruals during that period. Offsetting that expected increase was a decrease of $1,593,000 attributable to the following:

- Updates in employee and premium data (plan experience relative to prior assumptions) and recognition of actual CalPERS medical premium rates in effect for 2012 and 2013 (*$2,437,000 decrease in AAL)*;
- Change in discount rates used to develop the OPEB liability, from 7.75% to 7.61% (*$601,000 increase in AAL);*
- Projection of future mortality improvements for County employees and use of disability, termination and mortality assumptions for County Peace Officers in lieu of those for Police officers ($*42,000 increase in AAL*); and
- A change in how we evaluated the potential cost of dependent benefits for retirees, reflecting the extension of healthcare coverage of children until age 26 (*$201,000 increase in AAL)*;

F. Funding Policy

The specific calculation of the ARC and annual OPEB expense for an employer depends on how the employer elects to fund these benefits. Contributing an amount greater than or equal to the ARC each year is referred to as “prefunding”. Prefunding generally allows the employer to have the liability calculated using a higher discount rate, which in turn lowers the liability. In addition, following a prefunding policy does not build up a net OPEB obligation because the contribution equals or exceeds the annual OPEB cost each year.

Determination of the ARC

The Annual Required Contribution (ARC) consists of two basic components, which have been adjusted with interest to the County’s fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The ARCs for the fiscal years ending June 30, 2013 and June 30, 2014 are developed in Table 1B.

Decisions Affecting the Amortization Payment

The period and method for amortizing the AAL can significantly affect the ARC. GASB 45:

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

Funding Policy Illustrated in This Report

It is our understanding that the County’s prefunding policy includes amortization of the unfunded AAL over an open 30-year period initially effective July 1, 2010. Amortization payments are determined on a level percent of pay basis.

G. Choice of Actuarial Funding Method and Assumptions

The "ultimate real cost" of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method. The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". Methods that produce higher initial annual (prefunding) costs will produce lower annual costs later. Conversely, methods that produce lower initial costs will produce higher annual costs later relative to the other methods. GASB 45 allows the use of any of six actuarial funding methods; a brief description of each is in the glossary.

Factors Impacting the Selection of Funding Method

While the goal of GASB 45 is to match recognition of retiree medical expense with the periods during which the benefit is earned, the funding methods differ because they focus on different financial measures in attempting to level the incidence of cost. Appropriate selection of a funding method contributes to creating intergenerational equity between generations of taxpayers. The impact of potential new employees entering the plan may also affect selection of a funding method, though this is not a factor in this plan.

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance. In addition, it is the method required for plans participating in the CalPERS prefunding vehicle for OPEB liabilities, the California Employers Retiree Benefit Trust (CERBT).

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the County. In particular, CalPERS has issued a set of standardized actuarial methods and assumptions to be used by entities participating in CERBT and the actuarial assumptions used in this report for GASB 45 analysis are intended to comply with these requirements.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. CERBT provides participating employers with three possible asset allocation strategies; a maximum discount rate is assigned to each of these strategies, which may be rounded or reduced to include a margin for adverse deviation. As requested by the County and permitted by CERBT where its asset allocation Strategy #1 is employed, the discount rate used in this valuation is 7.61%.

H. Certification

We certify that this report has been prepared in accordance with our understanding of GASB 45, and that the results shown in Section E and in Tables 1A, 1B and 1C accurately present our analysis of the actuarial calculations for this plan required by GASB 45. Each signing individual is a Manager in the Health & Benefits Actuarial Unit at Bickmore Risk Services and a Member of the American Academy of Actuaries who satisfies the qualification requirements for rendering this opinion.

Signed: August 20, 2012

Catherine L. MacLeod

Catherine L. MacLeod, FSA, EA, MAAA

Francis M. Schauer, Jr.

Francis M. Schauer Jr., FSA, FCA, EA, MAAA

Table 1A
Roll Forward of Valuation Results

The basic valuation results are presented in Section E. The following summarizes the results of the July 1, 2011 valuation adjusted to be applicable for the fiscal years ending June 30, 2013 and 2014. These adjusted results become the basis for calculating the annual required contribution for these years, shown in Table 1B on the following page.

The results shown below and on the following two pages reflect our understanding that the County intends to contribute 100% of the ARC for each fiscal year up to and including the years to which this report is expected to be applied. Should those contributions differ by more than an immaterial amount, some of the results in this report will need to be revised.

	Prefunding Basis	
Valuation date	**7/1/2011**	
For fiscal year beginning	7/1/2012	7/1/2013
For fiscal year ending	6/30/2013	6/30/2014
Discount rate	7.61%	7.61%
Number of Covered Employees*		
Actives	433	433
Retirees	146	146
Total Participants	579	579
Actuarial Present Value of Projected Benefits		
Actives	$ 32,277,345	$ 34,469,440
Retirees	15,328,932	15,316,879
Total APVPB	47,606,277	49,786,319
Actuarial Accrued Liability (AAL)		
Actives	21,423,434	24,447,816
Retirees	15,328,932	15,316,879
Total AAL	36,752,366	39,764,695
Actuarial Value of Assets	11,690,231	14,332,518
Unfunded AAL (UAAL)	25,062,134	25,432,177
Normal Cost	1,541,000	1,591,083
Benefit Payments		
Actives (in retirement)	264,211	399,666
Retirees	1,178,585	1,122,396
Total	1,442,796	1,522,062

* The number of active employees and retirees shown above are as of the valuation date and are not necessarily the number expected in each category in the future year(s) shown. In addition, because this valuation has been prepared on a closed group basis, no potential future employees are included. In reality, based on assumptions outlined in Table 4, we recognize the possibility that active employees will leave employment and that some may retire and elect benefits. We also include some possibility that coverage for some of the retired employees may cease. It is possible, therefore, that the actual number of employees and retirees in each future year would be different from those shown above.

Table 1B
Calculation of the Annual Required Contribution

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a prefunding basis for the fiscal years ending June 30, 2013 and June 30, 2014.

	Prefunding Basis	
Fiscal Year End	**6/30/2013**	**6/30/2014**
Funding Policy		
Discount rate	7.61%	7.61%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	30	30
Determination of Amortization Payment		
UAAL	$ 25,062,134	$ 25,432,177
Factor	17.5446	17.5446
Payment	1,428,479	1,449,570
Annual Required Contribution (ARC)		
Normal Cost	1,541,000	1,591,083
Amortization of UAAL	1,428,479	1,449,570
Interest to 06/30	225,977	231,394
Total ARC at fiscal year end	3,195,456	3,272,047

While the following is not intended to be used to determine the normal cost or ARC in future years, this information may be of value for planning purposes:

Valuation date	**7/1/2011**	
Fiscal Year End	**6/30/2013**	**6/30/2014**
Projected covered payroll	$ 27,443,958	$ 28,335,887
Normal Cost as a percent of payroll	5.6%	5.6%
ARC as a percent of payroll	11.6%	11.5%
ARC per active ee	7,380	7,557

Table 1C
Expected OPEB Disclosures

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the fiscal years ending June 30, 2013 and June 30, 2014. The calculations assume the County continues to follow the prefunding approach outlined on the prior page.

	Prefunding Basis	
Fiscal Year End	**6/30/2013**	**6/30/2014**
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	$ 3,195,456	$ 3,272,047
b. Interest on Net OPEB Obligation (Asset) at beginning of year	-	-
c. Adjustment to the ARC	-	-
d. **Annual OPEB Expense (a. + b. + c.)**	3,195,456	3,272,047
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	1,442,796	1,522,062
b. Estimated contribution to OPEB trust	1,752,660	1,749,985
c. **Total Expected Employer Contribution**	3,195,456	3,272,047
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	-	-
Net OPEB Obligation (Asset), beginning of fiscal year	-	-
Net OPEB Obligation (Asset) at fiscal year end	-	-

Please note that the expected payments to retirees shown in item 2.a. above are projections and should be replaced with the actual payments in order to determine the portion of the ARC to be contributed to the OPEB trust.

Should total County contributions (the sum of actual premiums paid and contributions to CERBT) be less than the ARC, the next valuation could require use of a lower discount rate for valuing the liabilities.

Table 2
Summary of Employee Data

The County reported 433 active employees; of these, 375 are currently participating in the medical program while 58 employees were waiving coverage as of the valuation date. Age and service information for the reported individuals is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25	2	3					5	1%
25 to 29	3	26	6				35	8%
30 to 34	4	26	19	4			53	12%
35 to 39	5	21	13	16	2	2	59	14%
40 to 44	4	18	11	6	9	6	54	12%
45 to 49	2	21	11	11	8	9	62	14%
50 to 54	2	15	11	6	8	19	61	14%
55 to 59	3	15	11	11	8	16	64	15%
60 to 64		8	4	9	4	8	33	8%
65 to 69		2	2	1			5	1%
70 & Up		1		1			2	0%
Total	25	156	88	65	39	60	**433**	**100%**
Percent	6%	36%	20%	15%	9%	14%	**100%**	

(Percentages adjusted to total 100%)

Annual Covered Payroll	$26,580,105
Average Attained Age for Actives	45.4
Average Years of Service	9.6

There are 146 retirees or beneficiaries receiving benefits, whose ages are summarized in the chart below:

Retirees by Age		
Current Age	Number	Percent
Below 50	7	5%
50 to 54	3	2%
55 to 59	20	14%
60 to 64	39	27%
65 to 69	44	30%
70 to 74	14	10%
75 to 79	11	8%
80 & up	8	5%
Total	**146**	**100%**
Average Attained Age for Retirees:		65.2

Plan members are separated between safety and miscellaneous members in the chart below:

Participants by Group			
Group	Actives	Retired	Total
Miscellaneous	352	117	469
Safety	81	29	110
Total	433	146	579

Table 3A
Summary of Retiree Benefit Provisions

OPEB provided: The County has indicated that the only OPEB provided is medical coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA).

- This coverage requires the employee to either satisfy the requirements for retirement under CalPERS *or,* if covered by a PEMHCA vesting resolution, to have worked 10 years or more for the County. CalPERS retirement requires attainment of age 50 with 5 years of State or public agency service or approved disability retirement.
- If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period.
- Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.
- The employee must commence his or her retirement warrant within 120 days of terminating employment with the County to be eligible to continue medical coverage through the County and be entitled to the employer subsidy described below.

Benefits paid by the County: As a condition of participation in the CalPERS medical program, the County is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. A surviving spouse and other eligible dependents who continue coverage are entitled to receive the County contribution.

The County currently maintains two different types of resolutions with CalPERS defining the level of the County's contribution. The resolutions apply to those eligible for coverage (as described above), based on the employee's hire date:

- *Retirees hired before January 1, 2010* As provided in the current resolutions covering these employees, the County now pays 100% of the medical premiums for retirees and their eligible covered dependents, not to exceed monthly amounts based on coverage level. The maximum amounts paid for 2011 are shown in the chart below:

Calendar year 2011 Caps			
	Single	2-Party	Family
Active	$548.78	$890.32	$1,032.02
Retired	493.9	801.29	928.82

- *Retirees hired on or after January 1, 2010* are covered by PEMHCA 'vesting' resolutions, which provides that the County will pay 100% of the medical premium for the retiree and any dependents up to a maximum benefit. The maximum benefit is equal to: (a) dollar caps which vary by coverage level set annually per the 100/90 formula, *multiplied by* (b) a vesting percentage based on the retiree's years of CalPERS membership. The 100/90 formula maximums for 2011 are:

Subsidy for the 100/90 Formula		
Single	2-Party	Family
$542.00	$1,030.00	$1,326.00

Table 3A
(Concluded)

- *Retirees hired on or after January 1, 2010 – continued:*

  The vesting percentages applied to the 100/90 formula caps are:

Years of Qualifying Service	Vested Percent	Years of Qualifying Service	Vested Percent
Less than 10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20 or more	100%

Unlike retirees hired prior to 2010, those covered by the vesting resolution who complete at least 20 years of service with the County are entitled to these subsidized medical benefits even if they terminate employment prior to reaching age 50.

Note that 100% vesting applies, regardless of service, for employees who retire on disability retirement.

Current premium rates: The 2011 CalPERS monthly medical plan rates in the Other Northern California Counties rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here.

Other Northern California Counties 2011 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Blue Shield HMO	$685.67	$1,371.34	$1,782.74	$337.88	$675.76	$1,087.16
Blue Shield NetValue HMO	N/A	N/A	N/A	N/A	N/A	N/A
Kaiser HMO	574.32	1148.64	1493.23	282.30	564.60	909.19
PERS Choice PPO	548.78	1097.56	1426.83	375.88	751.76	1081.03
PERS Select PPO	479.90	959.80	1247.74	375.88	751.76	1039.70
PERS Care PPO	870.76	1741.52	2263.98	433.66	867.32	1389.78

Note that the additional CalPERS administration fee is not included in this valuation.

Table 3B
General CalPERS Annuitant Eligibility Provisions

The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of June 30, 2011, issued February 2012, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

<u>Health Care Coverage</u>

Retired Employees

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employee will notify CalPERS and the member's coverage will continue into retirement.

Eligibility Exceptions*:* Certain family members are not eligible for CalPERS health benefits:

- Children age 26 or older
- Children's spouses
- Former spouses
- Never enrolled or disabled children over age 26
- Grandparents
- Parents
- Children of former spouses
- Other relatives

Coordination with Medicare

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former, or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

Survivors of an Annuitant

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Surviving enrolled family members who do not qualify to continue their current coverage are eligible for continuation coverage under COBRA.

Table 4
OPEB Valuation Actuarial Methods and Assumptions

Valuation Date	July 1, 2011
Funding Method	Entry Age Normal Cost, level percent of pay[2]
Asset Valuation Method	Market value of assets
Discount Rate	7.61%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis

The demographic actuarial assumptions used in this valuation are based on the (demographic) experience study of the California Public Employees Retirement System using data from 1997 to 2007. Rates for selected age and service are shown below and on the following pages.

Mortality Before Retirement — Illustrative rates:

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only Projected to 2015		
Age	Male	Female
15	0.00041	0.00006
20	0.00043	0.00015
30	0.00052	0.00034
40	0.00084	0.00060
50	0.00161	0.00116
60	0.00364	0.00259
70	0.00848	0.00633
80	0.01452	0.01070

CalPERS Public Agency Police, CPO, & Fire Combined Industrial & Non-Industrial Deaths Projected to 2015		
Age	Male	Female
15	0.00041	0.00006
20	0.00045	0.00018
30	0.00061	0.00044
40	0.00096	0.00072
50	0.00174	0.00129
60	0.00380	0.00276
70	0.00865	0.00652
80	0.01472	0.01090

[2] The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality After Retirement

Illustrative rates:

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality Projected to 2015		
Age	Male	Female
40	0.00089	0.00058
50	0.00218	0.00115
60	0.00664	0.00420
70	0.01553	0.01213
80	0.05012	0.03620
90	0.16415	0.12219
100	0.34379	0.31717
110	1.00000	1.00000

Disabled Lives

CalPERS Public Agency Miscellaneous Disability Post Retirement Mortality Projected to 2015		
Age	Male	Female
40	0.01600	0.00625
50	0.01490	0.01143
60	0.02115	0.01588
70	0.03588	0.02944
80	0.07977	0.05363
90	0.21126	0.14726
100	0.45676	0.37474
110	1.00000	1.00000

Disabled Lives (continued)

CalPERS Public Agency CPO Disabled Post Retirement Mortality Projected to 2015		
Age	Male	Female
20	0.00281	0.00217
30	0.00273	0.00207
40	0.00362	0.00239
50	0.00547	0.00433
60	0.00879	0.00872
70	0.02226	0.01802
80	0.06713	0.04462
90	0.16689	0.13674

Termination Rates

For miscellaneous employees hired before June 1, 2010: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.1193	0.0946	0.0000	0.0000	0.0000
25	0.1674	0.1125	0.0868	0.0749	0.0000	0.0000
30	0.1606	0.1055	0.0790	0.0668	0.0581	0.0000
35	0.1537	0.0987	0.0711	0.0587	0.0503	0.0450
40	0.1468	0.0919	0.0632	0.0507	0.0424	0.0370
45	0.1400	0.0849	0.0554	0.0427	0.0347	0.0290

Table 4 - Actuarial Methods and Assumptions (Continued)

Termination Rates (concluded)

For miscellaneous employees hired on or after June 1, 2010: sum of Terminated Refund and Terminated Vested rates for miscellaneous employees until 20 years of service; refund only rates after 20 years – Illustrative Rates

Attained Age	Years of Service					
	0	5	10	20	25	30
15	0.1812	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1742	0.0946	0.0000	0.0000	0.0000	0.0000
25	0.1674	0.0868	0.0749	0.0000	0.0000	0.0000
30	0.1606	0.0790	0.0668	0.0000	0.0000	0.0000
35	0.1537	0.0711	0.0587	0.0045	0.0000	0.0000
40	0.1468	0.0632	0.0507	0.0037	0.0024	0.0000
45	0.1400	0.0554	0.0427	0.0029	0.0017	0.0011

For safety employees hired before June 1, 2010: sum of CalPERS Terminated Refund and Terminated Vested rates for county peace officers – Illustrative rates

Attained Age	Years of Service					
	0	3	5	10	15	20
15	0.1072	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1072	0.0470	0.0421	0.0000	0.0000	0.0000
25	0.1072	0.0470	0.0421	0.0300	0.0000	0.0000
30	0.1072	0.0470	0.0421	0.0300	0.0178	0.0000
35	0.1072	0.0470	0.0421	0.0300	0.0178	0.0096
40	0.1072	0.0470	0.0421	0.0300	0.0178	0.0096
45	0.1072	0.0470	0.0421	0.0300	0.0178	0.0096

For safety employees hired on or after June 1, 2010: sum of Terminated Refund and Terminated Vested rates for county peace officer employees until 20 years of service; refund only rates after 20 years – Illustrative Rates

Attained Age	Years of Service					
	0	5	10	20	25	30
15	0.1072	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1072	0.0421	0.0000	0.0000	0.0000	0.0000
25	0.1072	0.0421	0.0300	0.0000	0.0000	0.0000
30	0.1072	0.0421	0.0300	0.0000	0.0000	0.0000
35	0.1072	0.0421	0.0300	0.0022	0.0000	0.0000
40	0.1072	0.0421	0.0300	0.0022	0.0010	0.0000
45	0.1072	0.0421	0.0300	0.0022	0.0010	0.0006

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates

CalPERS Public Agency Miscellaneous
2% @ 55 – Illustrative rates

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0150	0.0200	0.0240	0.0290	0.0330	0.0390
55	0.0500	0.0640	0.0780	0.0940	0.1070	0.1270
60	0.0720	0.0920	0.1120	0.1340	0.1530	0.1820
65	0.1740	0.2210	0.2690	0.3230	0.3690	0.4390
70	0.1380	0.1760	0.2140	0.2570	0.2930	0.3490
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CalPERS Public Agency Police
3% @ 55 – Illustrative rates

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0190	0.0190	0.0190	0.0190	0.0400	0.0600
52	0.0240	0.0240	0.0240	0.0240	0.0510	0.0770
55	0.1160	0.1160	0.1160	0.1160	0.2400	0.3630
57	0.0580	0.0580	0.0580	0.0580	0.1200	0.1810
60	0.1410	0.1410	0.1410	0.1410	0.2895	0.4380
62	0.1175	0.1175	0.1175	0.1175	0.2413	0.3650
65 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

Illustrative rates:

CalPERS Public Agency Miscellaneous Disability		
Age	Male	Female
25	0.00010	0.00010
30	0.00021	0.00020
35	0.00063	0.00088
40	0.00145	0.00164
45	0.00252	0.00243
50	0.00331	0.00311
55	0.00366	0.00306
60	0.00377	0.00253

CalPERS Public Agency CPO Combined Disability Retirement Rates	
Age	Unisex
20	0.00035
25	0.00160
30	0.00325
35	0.00501
40	0.00691
45	0.00900
50	0.01191
55	0.01822
60	0.01784

Table 4 - Actuarial Methods and Assumptions (Continued)

Healthcare Trend

Medical plan premiums and PEMHCA 100/90 caps are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown in the chart below:

Effective July 1	Premium Increase	Effective July 1	Premium Increase
2012	Actual	2016	7.00%
2013	*	2017	6.50%
2014	8.00%	2018	5.50%
2015	7.50%	2019 & later	4.50%

* Actual premium increases were used for 2013 for pre-Medicare premiums; for post-Medicare premiums, no increase was assumed for 2013.

Increases on County Premium Subsidy for Retirees Hired Prior to January 2010

The County's maximum contribution toward monthly premiums for these retirees is assumed to increase at different percentages, based on the coverage level:

(1) Single Coverage:100% of the increase rates above

(2) Two Party Coverage: 80% of the increase rates above

(3) Family Coverage: 70% of the increase rates above

Participation Rates

Active participants hired before 1/1/2010: 100% are assumed to continue their current plan election in retirement.

Actives hired on or after 1/1/2010 are assumed to participate at the following rates, based on their years of PERS service:

PERS Service	Assumed % Participation	PERS Service	Assumed % Participation
Under 10	0%	13	85%
10	70%	14	90%
11	75%	15	95%
12	80%	16 or more	100%

Non-participating actives are assumed to elect coverage at ½ the rates shown above, thus gaining access to coverage in retirement.

Retired participants: Existing medical plan elections are assumed to be maintained until the retiree's death.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Spouse Coverage	*Active employees:* 65% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives. *Retired participants*: Existing elections for spouse coverage are assumed to be maintained through retirement until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.
Dependent Coverage	*Active employees*: 30% are assumed to cover dependents other than a spouse under age 26 at retirement; eligibility for coverage for the youngest dependent is assumed to end at the retiree's age 62. *Retired participants* covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Changes Since the Prior Valuation:

Discount rate	Decreased from 7.75% to 7.61%
Demographic assumptions	Rates of assumed mortality – projected to 2015, and, where applicable, CPO rates used in lieu of Police rates.
Dependent Coverage	Due to more favorable and longer eligibility for dependent children, this valuation includes projected OPEB costs for dependents of current (and future) retirees.

Table 5
Projected Benefit Payments

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the County.

- No benefits expected to be paid on behalf of current active employees prior to retirement are considered in this projection.
- No benefits for potential future employees have been included.

Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Table 4.

Projected Annual Benefit Payments			
Fiscal Year Ending June 30	**Current Retirees**	**Future Retirees**	**Total**
2012	$1,084,618	$ -	$1,084,618
2013	1,178,585	264,211	1,442,796
2014	1,122,396	399,666	1,522,062
2015	1,167,250	571,839	1,739,089
2016	1,198,887	779,302	1,978,189
2017	1,239,691	983,580	2,223,271
2018	1,274,370	1,196,665	2,471,035
2019	1,286,625	1,395,571	2,682,196
2020	1,299,899	1,596,378	2,896,277
2021	1,295,902	1,790,706	3,086,608

Appendix 1A
Breakout of the County Plan Results by Group
Fiscal Year Ending June 30, 2013

The tables beginning on this page break out the results for Miscellaneous and Safety employees as applicable to the County's fiscal year ending June 30, 2013. All results are shown on the same basis as those presented in Tables 1A and 1B.

Approach	**Prefunding Basis**		
Fiscal year end	6/30/2012		
Interest rate	7.61%		
Amortization method	Level Percent of Payroll		
Remaining amortization period (in years)	30		
Group	Miscellaneous	Safety	Total
Particpants in Group			
Actives	352	81	433
Retirees	117	29	146
Total Participants	469	110	579
Actuarial Present Value of Projected Benefits			
Actives	$ 25,969,797	$ 6,307,548	$ 32,277,345
Retirees	11,519,064	3,809,868	15,328,932
Total APVPB	37,488,861	10,117,416	47,606,277
Actuarial Accrued Liability			
Actives	17,839,456	3,583,978	21,423,434
Retirees	11,519,064	3,809,868	15,328,932
Total AAL	29,358,520	7,393,846	36,752,366
Normal Cost	1,241,074	299,926	1,541,000

Actuarial Value of Assets	9,338,389	2,351,842	11,690,231
Unfunded Actuarial Accrued Liability	20,020,130	5,042,004	25,062,134
Amortization Factor	17.5446	17.5446	17.5446
Annual Required Contribution (ARC)			
Normal Cost	1,241,074	299,926	1,541,000
Amortization of UAAL	1,141,097	287,382	1,428,479
Interest to 6/30/2013	181,283	44,694	225,977
ARC for Fiscal Year End 6/30/2013	2,563,455	632,001	3,195,456

Projected covered Payroll	21,389,483	6,054,475	27,443,958
Normal Cost as a percent of payroll	5.8%	5.0%	5.6%
ARC as a percent of payroll	12.0%	10.4%	11.6%
ARC per active employee	7,283	7,802	7,380

Appendix 1B
Breakout of the County Plan Results by Group
Fiscal Year Ending June 30, 2014

The tables beginning on this page break out the results for Miscellaneous and Safety employees as applicable to the County's fiscal year ending June 30, 2014. Results are shown on the same basis as those presented in Tables 1A and 1B.

Approach	**Prefunding Basis**		
Fiscal year end	6/30/2012		
Interest rate	7.61%		
Amortization method	Level Percent of Payroll		
Remaining amortization period (in years)	30		
Group	Miscellaneous	Safety	Total
Particpants in Group			
Actives	352	81	433
Retirees	117	29	146
Total Participants	469	110	579
Actuarial Present Value of Projected Benefits			
Actives	$ 27,699,485	$ 6,769,955	$ 34,469,440
Retirees	11,476,691	3,840,188	15,316,881
Total APVPB	39,176,176	10,610,143	49,786,319
Actuarial Accrued Liability			
Actives	20,285,945	4,161,871	24,447,816
Retirees	11,476,691	3,840,188	15,316,881
Total AAL	31,762,636	8,002,059	39,764,695
Normal Cost	1,281,411	309,673	1,591,084
Actuarial Value of Assets	11,448,310	2,884,208	14,332,518
Unfunded Actuarial Accrued Liability	20,314,326	5,117,851	25,432,177
Amortization Factor	17.5446	17.5446	17.5446
Annual Required Contribution (ARC)			
Normal Cost	1,281,411	309,673	1,591,084
Amortization of UAAL	1,157,865	291,705	1,449,570
Interest to 6/30/2014	185,630	45,765	231,395
ARC for Fiscal Year End 6/30/2014	2,624,904	647,143	3,272,047
Projected covered Payroll	22,084,642	6,251,245	28,335,887
Normal Cost as a percent of payroll	5.8%	5.0%	5.6%
ARC as a percent of payroll	11.9%	10.4%	11.5%
ARC per active employee	7,457	7,989	7,557

Appendix 2
OPEB Disclosure Information

The location of key information necessary to complete the OPEB footnote in the County's financial reports is noted below.

Summary of Plan Provisions:	See Table 3A
OPEB Funding Policy:	See Section F; details are provided also at the top of the exhibit in Table 1B
Funding Status and Funding Progress:	See Section E – Basic Valuation Results
Annual OPEB Cost and Net OPEB Obligation:	See Table 1C
Actuarial Methods and Assumptions:	See Table 4.

Glossary

Actuarial Accrued Liability (AAL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; see "Actuarial Present Value"

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value (APV) – The amount presently required to fund a payment or series of payments in the future, it is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

Aggregate – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Annual Required Contribution (ARC) – The amount the employer would contribute to a defined benefit OPEB plan for a given year, it is the sum of the normal cost and some amortization (typically 30 years) of the unfunded actuarial accrued liability

Annual OPEB Expense – The OPEB expense reported in the Agency's financial statement, which is comprised of three elements: the ARC, interest on the net OPEB obligation at the beginning of the year and an ARC adjustment.

Attained Age Normal Cost (AANC) – An actuarial funding method where, for each plan member, the excess of the actuarial present value of benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the individual's projected earnings or service forward from the valuation date to the assumed exit date

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Entry Age Normal Cost (EANC) – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to assumed exit age

Glossary (Continued)

Frozen Attained Age Normal Cost (FAANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the unit credit method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Frozen Entry Age Normal Cost (FEANC) – An actuarial funding method under which the excess of the actuarial present value of projected benefits over the actuarial accrued liability (determined under the entry age normal cost method) is levelly spread over the earnings or service of the group forward from the valuation date to the assumed exit date, based not on individual characteristics but rather on the characteristics of the group as a whole

Financial Accounting Standards Board (FASB) – A private, not-for-profit organization designated by the Securities and Exchange Commission (SEC) to develop generally accepted accounting principles (GAAP) for U.S. public corporations

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Net OPEB Obligation (Asset) - The net OPEB obligation (NOO) represents the accumulated shortfall of OPEB funding since GASB 45 was implemented. If cumulative contributions have exceeded the sum of the prior years' annual OPEB expenses, then a net OPEB asset results.

Non-Industrial Disability (NID) – Unless specifically contracted by the individual Agency, PAM employees are assumed to be subject to only non-industrial disabilities.

Normal Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the chosen funding method; also called current service cost

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that medical insurance contributions for retired annuitants and paid for by a contracting Agency be equal to the medical insurance contributions paid for its active employees, and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Glossary
(Concluded)

Projected Unit Credit (PUC) – An actuarial funding method where, for each individual, the projected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Public Agency Miscellaneous (PAM) – Actuarial assumptions used by CalPERS for most non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Trend – The healthcare cost trend rate, defined as the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments

Unfunded Actuarial Accrued Liability (UAAL) – The excess of the actuarial accrued liability over the actuarial value of plan assets

Unit Credit (UC) -- An actuarial funding method where, for each individual, the unprojected plan benefit is allocated by a consistent formula from entry date to assumed exit date

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility