



BARTEL
ASSOCIATES, LLC

**CITY OF MISSION VIEJO
RETIREE HEALTHCARE PLAN**

June 30, 2015 Actuarial Valuation

Bartel Associates, LLC

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February 18, 2016

CONTENTS

<u>Topic</u>	<u>Page</u>
Benefit Summary	1
Funding Policy	6
Participant Summary	7
Assets	12
Valuation Results	17
Actuarial Certification	30
Exhibits	31

BENEFIT SUMMARY

■ RIP Eligibility

Retiree Insurances Program

- Full-time employees, part-time employees scheduled to work more than 20 hours per week, and Council members eligible for healthcare coverage prior to 1/1/07
 - Hourly, seasonal, and temporary (HST) employees not eligible
- Retire directly from City under CalPERS
- Service retirees at least age 50 with 12 years of continuous City service at retirement receive a benefit up to the RIP maximum benefit
- Disability retirees with at least 12 years of continuous City service at retirement receive a benefit up to the RIP maximum benefit
- Service as HST employee not included toward years of continuous City service
- Participate at retirement enrollment level for at least one year before retirement
- Retirees with less than 12 years of continuous City service and eligible for PEMHCA at retirement and retirees who waived coverage at retirement and later enroll in PEMHCA receive the PEMHCA minimum amount



February 18, 2016



BENEFIT SUMMARY

■ RIP Benefit

- City pays up to the following frozen monthly amounts toward medical, dental, and vision premiums:

<u>Average Full-Time %</u>	<u>Retiree Only</u>	<u>Retiree & Spouse</u>
0.875 - 1.000 FTE	\$825.00	\$912.00
0.701 - 0.874 FTE	618.75	684.00
0.500 - 0.700 FTE	412.50	456.00
- Average Full-Time % is highest consecutive 12-year average
- City payment includes PEMHCA minimum and PEMHCA administration fee
- Surviving spouse and surviving registered domestic partner benefit same as retiree-only benefit
- Retirees, surviving spouses, and registered domestic partners can continue child coverage by paying full additional premium
- Retirees must enroll in Medicare when eligible



February 18, 2016



BENEFIT SUMMARY

<p>■ SHARE Eligibility</p>	<p>Supplemental Health Account for Retired Employees</p> <ul style="list-style-type: none"> • Full-time and part-time employees first eligible for health insurance on or after 1/1/07 as new or rehired employees • City Council members appointed to a term after 1/1/07 eligible • Hourly, temporary, and seasonal employees (HST) not eligible 								
<p>■ SHARE Benefit</p>	<ul style="list-style-type: none"> • One-year waiting period for employee and City contributions • Employee contribution is 1.5% of pay • City contribution (not included in OPEB cost): <table border="0" data-bbox="613 493 1203 640"> <tr> <td align="center"><u>Average Full-Time %</u></td> <td align="center"><u>City Contribution</u></td> </tr> <tr> <td align="center">1.000 FTE</td> <td align="center">\$100/month</td> </tr> <tr> <td align="center">0.750 - 0.999 FTE</td> <td align="center">75/month</td> </tr> <tr> <td align="center">0.500 - 0.749 FTE</td> <td align="center">50/month</td> </tr> </table> <ul style="list-style-type: none"> • Employee and City accounts used for reimbursement of eligible medical, dental, and vision expenses if separation from service after age 55 with 15 years of City service • Employer account forfeited if separation from service before age 55 with 15 years of City service • Surviving spouse, surviving registered domestic partner, and dependents eligible to use remaining account after retiree's death 	<u>Average Full-Time %</u>	<u>City Contribution</u>	1.000 FTE	\$100/month	0.750 - 0.999 FTE	75/month	0.500 - 0.749 FTE	50/month
<u>Average Full-Time %</u>	<u>City Contribution</u>								
1.000 FTE	\$100/month								
0.750 - 0.999 FTE	75/month								
0.500 - 0.749 FTE	50/month								



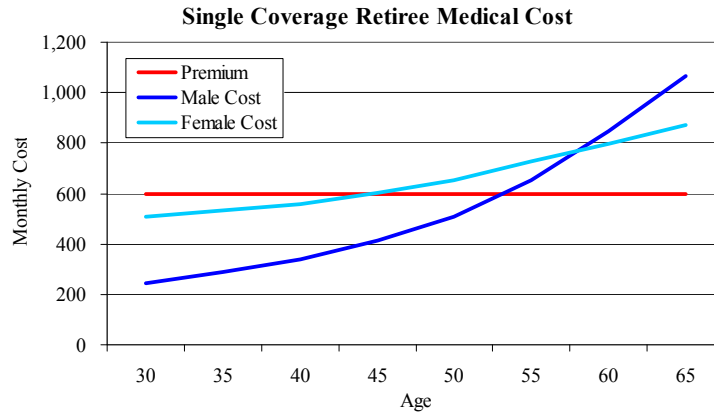
BENEFIT SUMMARY

<p>■ PEMHCA Minimum</p>	<ul style="list-style-type: none"> • City joined PEMHCA in 1997 and uses 5% unequal method: <table border="0" data-bbox="560 1249 1323 1480"> <thead> <tr> <th><u>Year</u></th> <th><u>PEMHCA Minimum</u></th> <th><u>Years In PEMHCA</u></th> <th><u>Unequal Method Percent</u></th> <th><u>City Retiree Contribution</u></th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>\$122</td> <td>18</td> <td>90%</td> <td>\$109.80</td> </tr> <tr> <td>2016</td> <td>125</td> <td>19</td> <td>95%</td> <td>118.75</td> </tr> <tr> <td>2017</td> <td>131</td> <td>20</td> <td>100%</td> <td>131.00</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • PEMHCA minimum after 2016 determined by CalPERS based on increase in the medical component of CPI-U, assumed to increase 4.5% per year for valuation • All employees retiring directly from City under CalPERS, including RIP retirees with less than 12 years of continuous City service and SHARE retirees, are eligible for PEMHCA minimum 	<u>Year</u>	<u>PEMHCA Minimum</u>	<u>Years In PEMHCA</u>	<u>Unequal Method Percent</u>	<u>City Retiree Contribution</u>	2015	\$122	18	90%	\$109.80	2016	125	19	95%	118.75	2017	131	20	100%	131.00
<u>Year</u>	<u>PEMHCA Minimum</u>	<u>Years In PEMHCA</u>	<u>Unequal Method Percent</u>	<u>City Retiree Contribution</u>																	
2015	\$122	18	90%	\$109.80																	
2016	125	19	95%	118.75																	
2017	131	20	100%	131.00																	
<p>■ Other OPEB</p>	<ul style="list-style-type: none"> • No City contribution for 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



February 18, 2016



FUNDING POLICY

- Funding Policy
 - Contribute full ARC with CERBT #1
 - Benefit payments made from CERBT
 - Additional \$2,100,000 contribution during April 2015
 - Additional contribution of \$347,000 equal to the 6/30/16 cash subsidy Unfunded Actuarial Accrued Liability for 2015/16
 - No prefunding of implied subsidy

Fiscal Year	City PayGo	CERBT Prefund	Total Contrib	ARC
2014/15	\$0	\$2,845	\$2,845	\$745
2013/14	0	756	756	756
2012/13	0	736	736	736
2011/12	0	718	718	718

Fiscal Year	City PayGo	CERBT PayGo	Total PayGo
2014/15	\$0	\$322	\$322
2013/14	0	281	281
2012/13	0	257	257
2011/12	0	241	241



February 18, 2016



PARTICIPANT SUMMARY

Eligible Participants - June 30, 2015

Participants	RIP ¹			SHARE	Grand Total
	City Cap	PEMHCA Minimum	Total	PEMHCA Minimum	
■ Maximum City Benefit ■ Actives <ul style="list-style-type: none"> • Average Age • Average City Service • Average Pay • Total Payroll (000's) 	80 n/a n/a n/a n/a	1 n/a n/a n/a n/a	81 53.3 15.4 \$79,647 6,451	57 43.0 4.3 \$57,239 3,263	138 49.1 10.8 \$70,391 9,714
■ Retirees <ul style="list-style-type: none"> • Count <ul style="list-style-type: none"> ➢ Service Retirees ➢ Disabled Retirees ➢ Survivors ➢ Total • Average Age • Average Retire Age 	36 0 <u>2</u> 38 63.3 58.0	14 0 <u>3</u> 17 72.3 60.8	50 0 <u>5</u> 55 66.1 58.8	0 0 <u>0</u> 0 n/a n/a	50 0 <u>5</u> 55 66.1 58.8

¹ Includes 1 RIP active and 17 retirees with PEMHCA minimum benefit.



February 18, 2016



PARTICIPANT SUMMARY

Eligible Participants - June 30, 2013

Participants	RIP ²	SHARE	Total
■ Actives <ul style="list-style-type: none"> • Average Age • Average City Service • Average Pay • Total Payroll (000's) 	93 52.6 13.7 \$78,129 7,266	48 40.6 4.4 \$54,326 2,608	141 48.5 10.5 \$70,026 9,874
■ Retirees <ul style="list-style-type: none"> • Count <ul style="list-style-type: none"> ➢ Service Retirees ➢ Disabled Retirees ➢ Survivors ➢ Total • Average Age • Average Retirement Age 	40 0 <u>3</u> 43 64.9 58.1	0 0 <u>0</u> 0 n/a n/a	40 0 <u>3</u> 43 64.9 58.1

² Includes 13 retirees with PEMHCA minimum benefit.



February 18, 2016



PARTICIPANT SUMMARY

Historical Active Participants

Active Participants	6/30/08	6/30/10³	6/30/13	6/30/15
■ RIP				
• Participating	82 62%	74 65%	54 58%	51 63%
• Waived Coverage	<u>50</u> <u>38%</u>	<u>39</u> <u>35%</u>	<u>39</u> <u>42%</u>	<u>30</u> <u>37%</u>
• Total Actives	132 100%	113 100%	93 100%	81 100%
• Average Age	48.5	49.6	52.6	53.3
• Ave City Service	9.4	11.0	13.7	15.4
• Average Pay	\$68,082	\$72,246	\$78,129	\$79,647
• Total Payroll (000's)	8,987	8,164	7,266	6,451
■ SHARE				
• Participating	20 83%	31 94%	36 75%	40 70%
• Waived Coverage	<u>4</u> <u>17%</u>	<u>2</u> <u>6%</u>	<u>12</u> <u>25%</u>	<u>17</u> <u>30%</u>
• Total Actives	24 100%	33 100%	48 100%	57 100%
• Average Age	38.2	37.7	40.6	43.0
• Ave City Service	0.8	2.1	4.4	4.3
• Average Pay	\$43,943	\$48,697	\$54,326	\$ 57,239
• Total Payroll (000's)	1,054	1,607	2,608	3,263
■ Total Actives	156	146	141	138

³ 6/30/10 census data used for the 6/30/10 and 6/30/11 valuations.



February 18, 2016

9



PARTICIPANT SUMMARY

Historical Retired Participants

Retired Participants	6/30/08	6/30/10⁴	6/30/13	6/30/15
■ RIP				
• Participating	11 100%	22 100%	33 77%	44 80%
• Waived Coverage ⁵	<u>0</u> <u>0%</u>	<u>0</u> <u>0%</u>	<u>10</u> <u>23%</u>	<u>11</u> <u>20%</u>
• Total Retirees	11 100%	22 100%	43 100%	55 100%
• Average Age	62.8	61.7	64.9	66.1
• Ave Svc Retire Age	58.1	58.1	58.1	58.8
■ SHARE				
• Participating	0 0%	0 0%	0 0%	0 0%
• Waived Coverage	<u>0</u> <u>0%</u>	<u>0</u> <u>0%</u>	<u>0</u> <u>0%</u>	<u>0</u> <u>0%</u>
• Total Retirees	0 0%	0 0%	0 0%	0 0%
• Average Age	n/a	n/a	n/a	n/a
• Ave Svc Retire Age	n/a	n/a	n/a	n/a
■ Total Retirees	11	22	43	55
■ Retirees/Actives	7%	15%	30%	40%

⁴ 6/30/10 census data used for the 6/30/10 and 6/30/11 valuations.

⁵ Waived retiree data not available prior to 6/30/13.



February 18, 2016

10



PARTICIPANT SUMMARY

Participant Reconciliation

Participants	Actives	Retirees			
		Service	Disabled	Survivors	Total
■ June 30, 2013	141	40	0	3	43
• Terminations ⁶	(13)	-	-	-	-
• New Retirees & Survivors	(11)	10	0	1	11
• Retiree Deaths with Survivor	-	(0)	(0)	0	0
• Retiree Deaths without Survivor ⁷	-	(1)	(0)	(0)	(1)
• New Hires	18	-	-	-	-
• Data Corrections	3	1	0	1	2
■ June 30, 2015	138	50	0	5	55

⁶ 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.

⁷ 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.



February 18, 2016

11



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	\$2,112	\$3,005	\$3,521	\$4,421	5,754
• CERBT Contributions	519	718	736	756	2,845
• Investment Earnings	554	29	427	856	(71)
• Benefit Payments from Trust	(177)	(227)	(257)	(272)	(311)
• Administrative Expenses	(3)	(4)	(6)	(7)	(6)
■ Market Value at End of Year	3,005	3,521	4,421	5,754	8,210
■ Accrued Contributions	0	0	0	0	0
■ Accrued Benefit Payments	(49)	(63)	(63)	(72)	(83)
■ Accrued Market Value at End of Year	2,956	3,458	4,358	5,682	8,127
■ Estimated Annual Return⁸	24.6%	0.8%	11.3%	18.4%	(1.2%)
■ CERBT #1 Annual Return	25.0%	0.2%	11.8%	18.5%	(0.1%)

⁸ This is an estimated average annual return taking into account the timing of contributions and benefit payments.



February 18, 2016

12



ASSETS

Accrued Market Value of Plan Assets

(Amounts in 000's)

Market Value of Assets	2010/11	2011/12	2012/13	2013/14	2014/15
■ Accrued Market Value Begin Year	\$2,073	\$2,956	\$3,458	\$4,358	\$5,682
• CERBT Contributions	519	718	736	756	2,845
• Investment Earnings	554	29	427	856	(71)
• Accrued Benefit Payments	(186)	(241)	(257)	(281)	(322)
• Administrative Expenses	(3)	(4)	(6)	(7)	(6)
■ Accrued Market Value End Year	2,956	3,458	4,358	5,682	8,127



February 18, 2016

13



ASSETS

Actuarial Value of Plan Assets⁹

(Amounts in 000's)

Actuarial Value of Assets	2010/11	2011/12	2012/13	2013/14	2014/15
■ Actuarial Value at Begin of Year	\$2,247	\$2,805	\$3,558	\$4,269	\$5,197
• Accrued Contributions	519	718	736	756	2,845
• Expected Net Earnings	187	223	273	332	424
• Benefit Payments	(186)	(178)	(320)	(281)	(322)
■ Expected AVA at End of Year	2,767	3,568	4,247	5,076	8,144
■ Accrued Market Value at End of Year	2,956	3,521	4,358	5,682	8,127
■ MVA - Expected AVA	189	(47)	111	606	(17)
■ 1/5 of (MVA - Exp AVA)	38	(10)	22	121	(3)
■ Preliminary AVA	2,805	3,558	4,269	5,197	8,141
■ Minimum AVA (80% of MVA)	2,365	2,817	3,486	4,545	6,502
■ Maximum AVA (120% of MVA)	3,547	4,226	5,229	6,818	9,752
■ Actuarial Value at End of Year	2,805	3,558	4,269	5,197	8,141
■ AVA Estimated Net Return	9.3%	6.9%	7.8%	9.9%	7.2%
■ AVA / MVA	95%	101%	98%	91%	100%

⁹ Actuarial Value of Plan Assets are unchanged for 2012/13 and earlier.



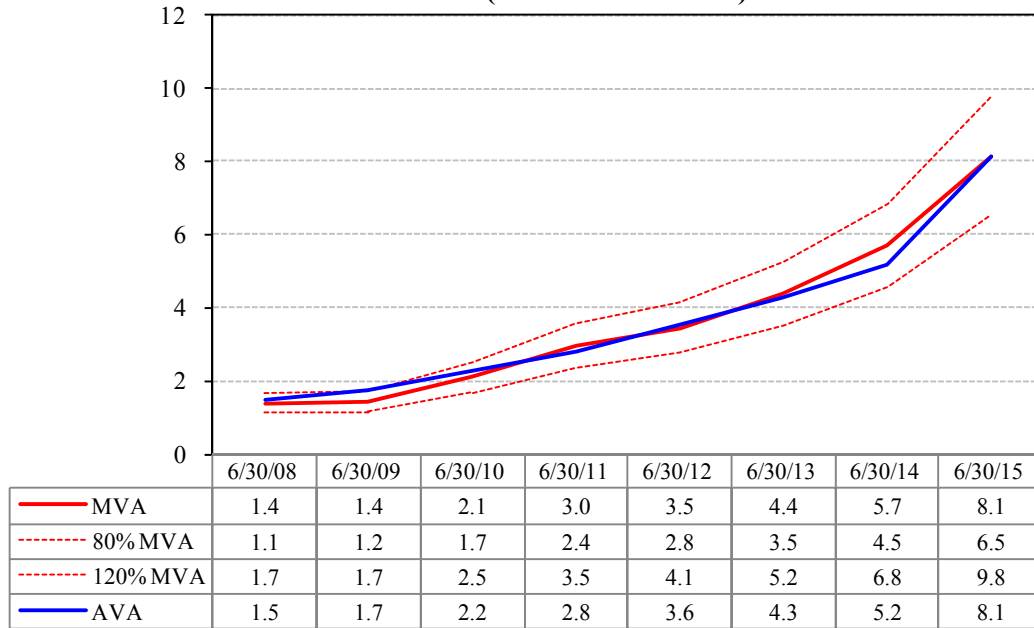
February 18, 2016

14



ASSETS

**Actuarial Value of Assets
(Millions of Dollars)**



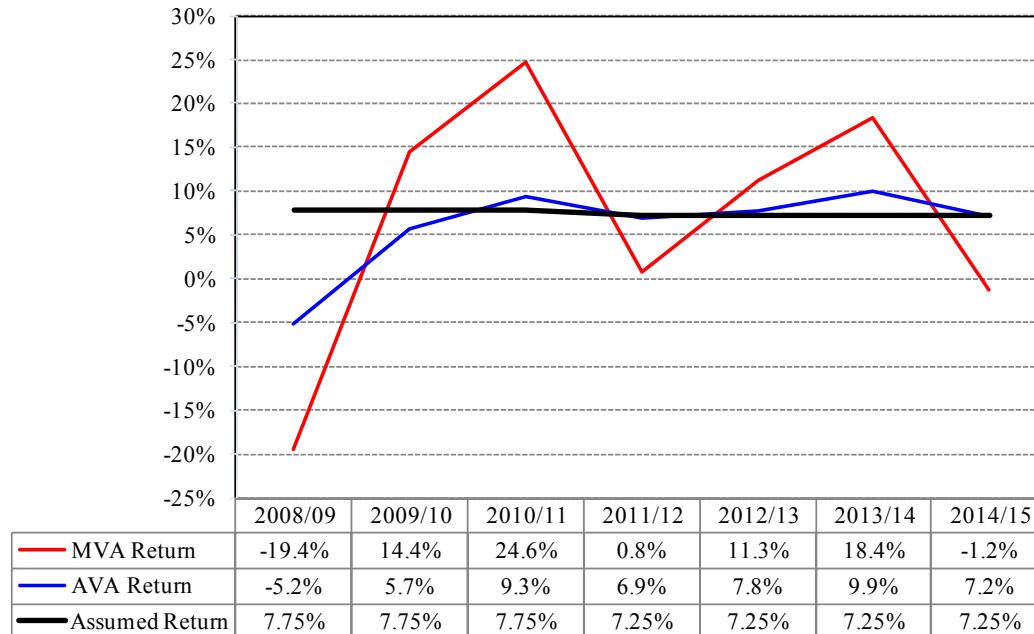
February 18, 2016

15



ASSETS

Approximate Return on Assets



February 18, 2016

16



VALUATION RESULTS

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	<u>6/30/13 Valuation</u>		<u>6/30/15 Valuation</u>		
	Actual 6/30/13	Projected 6/30/15	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17
■ Discount Rate (Cash Subsidy)	7.25%	7.25%	7.25%	7.25%	7.25%
■ Discount Rate (Implied Subsidy)	n/a	n/a	4.00%	4.00%	4.00%
■ Present Value Benefits					
• Actives	\$5,772	\$ n/a	\$8,278	\$ n/a	\$ n/a
• Retirees	<u>3,190</u>	<u>n/a</u>	<u>4,843</u>	<u>n/a</u>	<u>n/a</u>
• Total	8,962	9,649	13,121	13,580	14,010
■ Actuarial Liability					
• Actives	4,328	n/a	5,992	n/a	n/a
• Retirees	<u>3,190</u>	<u>n/a</u>	<u>4,843</u>	<u>n/a</u>	<u>n/a</u>
• Total	7,518	8,500	10,835	11,420	11,975
■ Actuarial Assets	<u>4,269</u>	<u>5,732</u>	<u>8,141</u>	<u>9,435</u>	<u>9,915</u>
■ Unfunded AAL	3,249	2,768	2,694	1,984	2,060
■ Funded Percent	57%	67%	75%	83%	83%
■ Normal Cost	250	235	352	344	338



February 18, 2016

17



VALUATION RESULTS

Actuarial Obligations

(Amounts in 000's)

Actuarial Obligations	<u>Cash Subsidy</u>			<u>Implied Subsidy</u>		
	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17	Actual 6/30/15	Projected 6/30/16	Projected 6/30/17
■ Discount Rate	7.25%	7.25%	7.25%	4.00%	4.00%	4.00%
■ Present Value Benefits						
• Actives	\$5,978	\$ n/a	\$ n/a	\$2,300	\$ n/a	\$ n/a
• Retirees	<u>4,285</u>	<u>n/a</u>	<u>n/a</u>	<u>558</u>	<u>n/a</u>	<u>n/a</u>
• Total	10,263	10,619	10,951	2,858	2,961	3,059
■ Actuarial Liability						
• Actives	4,649	n/a	n/a	1,343	n/a	n/a
• Retirees	<u>4,285</u>	<u>n/a</u>	<u>n/a</u>	<u>558</u>	<u>n/a</u>	<u>n/a</u>
• Total	8,934	9,435	9,915	1,901	1,984	2,060
■ Actuarial Assets	<u>8,141</u>	<u>9,435</u>	<u>9,915</u>	<u>0</u>	<u>0</u>	<u>0</u>
■ Unfunded AAL	793	0	0	1,901	1,984	2,060
■ Funded Percent	91%	100%	100%	0%	0%	0%
■ Normal Cost	242	234	227	110	110	111



February 18, 2016

18



VALUATION RESULTS

Estimated Actuarial Gains & Losses

(Amounts in 000's)

Actuarial Gains & Losses	AAL	(AVA)	UAAL
■ 6/30/13 Actual	\$7,518	\$(4,269)	\$3,249
■ 6/30/15 Expected	8,500	(5,732)	2,768
■ Experience Losses (Gains)			
• Actual versus expected premiums	(30)	-	(30)
• Contributions	-	(2,100)	(2,100)
• Investment and benefit payments	-	(309)	(309)
• Demographic & other	(30)	-	(30)
■ Assumption Changes			
• Demographic assumptions	122	-	122
• Projected mortality improvement	193	-	193
• PPACA high cost plan excise tax	179	-	179
■ Implied Subsidy	1,901	-	1,901
■ Total Changes	2,335	(2,409)	(74)
■ 6/30/15 Actual	10,835	(8,141)	2,694



February 18, 2016

19



VALUATION RESULTS

Benefit Payment Projection

(Amounts in 000's)

Fiscal Year	<u>Cash Subsidy</u>			Implied Subsidy	Total Payments
	Current Actives	Current Retirees	Total Payments		
2015/16	\$ 32	\$343	\$375	n/a	\$375
2016/17	85	338	423	112	535
2017/18	145	340	485	125	610
2018/19	207	352	559	130	689
2019/20	275	345	620	149	769
2020/21	331	344	675	173	848
2021/22	379	350	729	183	912
2022/23	429	346	774	189	963
2023/24	476	348	824	216	1,040
2024/25	511	351	862	233	1,095
2025/26	545	353	898	249	1,147
PVB ¹⁰	5,978	4,285	10,263	2,858	13,121

¹⁰ Present Value of Benefits for all years, including those after the 11 years shown. The Present Value of Benefit is the discounted value of future expected City benefit payments using the valuation discount rate of 7.25% for the cash subsidy and 4.00% for the implied subsidy.



February 18, 2016

20



VALUATION RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	<u>6/30/13 Valuation</u>		<u>6/30/15 Valuation</u>	
	2014/15	2015/16	2016/17	2017/18 ¹¹
■ Discount Rate (Cash Subsidy)	7.25%	7.25%	7.25%	7.25%
■ Discount Rate (Implied Subsidy)	n/a	n/a	4.00%	4.00%
■ ARC - \$				
• Normal Cost	\$243	\$235	\$344	\$338
• UAAL Amortization	<u>502</u>	<u>514</u>	<u>145</u>	<u>155</u>
• Total ARC	745	749	489	493
■ Projected Payroll¹²	10,359	10,696	10,356	10,692
■ ARC - %				
• Normal Cost	2.3%	2.2%	3.3%	3.2%
• UAAL Amortization	<u>4.9%</u>	<u>4.8%</u>	<u>1.4%</u>	<u>1.5%</u>
• Total ARC %	7.2%	7.0%	4.7%	4.7%
■ UAAL Amortization Years	7	6	15	14/15

¹¹ Accounting information for 2017/18 will be determined under GASB 75.

¹² For 2014/15, reported June 2013 payroll was projected 1.5 years to 1/1/15, the middle of the 2014/15 fiscal year, using the aggregate pay increase assumption of 3.25%. For 2016/17, reported 2014/15 payroll projected 2 years to 2016/17.



February 18, 2016



VALUATION RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

Annual Required Contribution	<u>Cash Subsidy</u>		<u>Implied Subsidy</u>	
	2016/17	2017/18	2016/17	2017/18
■ Discount Rate	7.25%	7.25%	4.00%	4.00%
■ ARC - \$				
• Normal Cost	\$234	\$227	\$110	\$111
• UAAL Amortization	<u>0</u>	<u>0</u>	<u>145</u>	<u>155</u>
• Total ARC	234	227	255	266
■ Projected Payroll	10,356	10,692	10,356	10,692
■ ARC - %				
• Normal Cost	2.3%	2.1%	1.1%	1.0%
• UAAL Amortization	<u>0.0%</u>	<u>0.0%</u>	<u>1.4%</u>	<u>1.5%</u>
• Total ARC %	2.3%	2.1%	2.5%	2.5%
■ UAAL Amortization Years	n/a	n/a	15	14/15



February 18, 2016



VALUATION RESULTS

Estimated Net OPEB Obligation (NOO) Projection¹³

Cash Subsidy
(Amounts in 000's)

Estimated Net OPEB Obligation	CAFR 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
■ Discount Rate	7.25%	7.25%	7.25%	7.25%
■ NOO at Beginning of Year	\$(873)	\$(856)	\$(2,872)	\$(2,864)
■ Annual OPEB Cost				
• Annual Required Contribution	756	745	749	234
• Interest on NOO	(63)	(62)	(208)	(208)
• NOO Adjustment	<u>80</u>	<u>147</u>	<u>563</u>	<u>3,071</u>
• Annual OPEB Cost	773	830	1,104	3,097
■ Contributions				
• Cash Benefit Payments Outside Trust	0	0	0	0
• Implied Subsidy Payments Outside Trust	0	0	0	0
• Trust Funding	<u>756</u>	<u>2,845</u>	<u>1,096</u>	<u>234</u>
• Total Contributions	756	2,845	1,096	234
■ NOO at End of Year	(856)	(2,872)	(2,864)	0
■ NOO Amortization Years	n/a	7.0	6.0	1.0
■ NOO Amortization Factor	n/a	5.84	5.10	0.93

¹³ Illustration only. Actual NOO reconciliation should be determined by the City and its auditor.



February 18, 2016

23



VALUATION RESULTS

Full Cash ARC Funding and Cash Flow Projection

Cash Subsidy - 7.25% Discount Rate

(Amounts in 000's)

FYE	BOY AVA	ARC Contib	Benefit Pmts	Contrib -Pmts	Expected Earnings	BOY AAL	BOY UAAL	BOY Fund%
2016	\$8,141	\$1,096	\$375	\$721	\$573	\$8,934	\$794	91%
2017	9,435	234	423	(189)	669	9,435	0	100%
2018	9,915	227	485	(258)	702	9,915	0	100%
2019	10,359	221	559	(338)	731	10,359	0	100%
2020	10,752	214	620	(406)	758	10,752	0	100%
2021	11,104	206	675	(469)	782	11,104	0	100%
2022	11,417	199	729	(530)	802	11,417	0	100%
2023	11,689	194	774	(580)	819	11,689	0	100%
2024	11,928	189	824	(635)	836	11,928	0	100%
2025	12,129	185	862	(677)	848	12,129	0	100%
2026	12,300	181	898	(717)	860	12,300	0	100%



February 18, 2016

24



VALUATION RESULTS

Estimated Net OPEB Obligation (NOO) Projection¹⁴

Implied Subsidy
(Amounts in 000's)

Estimated Net OPEB Obligation	CAFR 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
■ Discount Rate	n/a	n/a	n/a	4.00%
■ NOO at Beginning of Year	\$ 0	\$ 0	\$ 0	\$ 0
■ Annual OPEB Cost				
• Annual Required Contribution	0	0	0	255
• Interest on NOO	0	0	0	0
• NOO Adjustment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Annual OPEB Cost	0	0	0	255
■ Contributions				
• Cash Benefit Payments Outside Trust	0	0	0	0
• Implied Subsidy Payments Outside Trust	0	0	0	112
• Trust Funding	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
• Total Contributions	0	0	0	112
■ NOO at End of Year	0	0	0	143
■ NOO Amortization Years	n/a	n/a	n/a	n/a
■ NOO Amortization Factor	n/a	n/a	n/a	n/a

¹⁴ Illustration only. Actual NOO reconciliation should be determined by the City and its auditor.



February 18, 2016

25



VALUATION RESULTS

Full Cash ARC Funding and Cash Flow Projection

Implied Subsidy - 4.00% Discount Rate

(Amounts in 000's)

FYE	BOY AVA	ARC Contrib	Benefit Pmts	Contrib -Pmts	Expected Earnings	BOY AAL	BOY UAAL	BOY Fund%
2016	\$0	\$0	\$0	\$0	\$0	\$1,901	\$1,901	0%
2017	0	0	0	0	0	1,984	1,984	0%
2018	0	0	0	0	0	2,060	2,060	0%
2019	0	0	0	0	0	2,126	2,126	0%
2020	0	0	0	0	0	2,190	2,190	0%
2021	0	0	0	0	0	2,238	2,238	0%
2022	0	0	0	0	0	2,264	2,264	0%
2023	0	0	0	0	0	2,282	2,282	0%
2024	0	0	0	0	0	2,295	2,295	0%
2025	0	0	0	0	0	2,282	2,282	0%
2026	0	0	0	0	0	2,254	2,254	0%



February 18, 2016

26



VALUATION RESULTS

Estimated Net OPEB Obligation (NOO) Projection¹⁵

Cash Subsidy and Implied Subsidy

(Amounts in 000's)

Estimated Net OPEB Obligation	CAFR 2013/14	Estimate 2014/15	Estimate 2015/16	Estimate 2016/17
■ Discount Rate	7.25%	7.25%	7.25%	Various
■ NOO at Beginning of Year	\$(873)	\$(856)	\$(2,872)	\$ (2,864)
■ Annual OPEB Cost				
• Annual Required Contribution	756	745	749	489
• Interest on NOO	(63)	(62)	(208)	(208)
• NOO Adjustment	<u>80</u>	<u>147</u>	<u>563</u>	<u>3,071</u>
• Annual OPEB Cost	773	830	1,104	3,353
■ Contributions				
• Cash Benefit Payments Outside Trust	0	0	0	0
• Implied Subsidy Payments Outside Trust	0	0	0	112
• Trust Funding	<u>756</u>	<u>2,845</u>	<u>1,096</u>	<u>234</u>
• Total Contributions	756	2,845	1,096	346
■ NOO at End of Year	(856)	(2,872)	(2,864)	143
■ NOO Amortization Years	13.0	7.0	6.0	1.0
■ NOO Amortization Factor	9.75	5.84	5.10	0.93

¹⁵ Illustration only. Actual NOO reconciliation should be determined by the City and its auditor.



February 18, 2016

27



VALUATION RESULTS

Full Cash ARC Funding and Cash Flow Projection

Cash Subsidy and Implied Subsidy

(Amounts in 000's)

FYE	BOY AVA	ARC Contib	Benefit Pmts	Contrib- Pmts	Expected Earnings	BOY AAL	BOY UAAL	BOY Fund%
2016	\$8,141	\$1,096	\$375	\$721	\$573	\$10,835	\$2,695	75%
2017	9,435	234	423	(189)	669	11,419	1,984	83%
2018	9,915	227	485	(258)	702	11,975	2,060	83%
2019	10,359	221	559	(338)	731	12,485	2,126	83%
2020	10,752	214	620	(406)	758	12,942	2,190	83%
2021	11,104	206	675	(469)	782	13,342	2,238	83%
2022	11,417	199	729	(530)	802	13,681	2,264	83%
2023	11,689	194	774	(580)	819	13,971	2,282	84%
2024	11,928	189	824	(635)	836	14,223	2,295	84%
2025	12,129	185	862	(677)	848	14,411	2,282	84%
2026	12,300	181	898	(717)	860	14,554	2,254	85%



February 18, 2016

28



VALUATION RESULTS

Maturity/Volatility Measures

June 30, 2015

(Dollar Amounts in 000's)

■ Participant Maturity	Count	Accrued Liability
• Actives	138	\$5,992
• Retirees	55	4,843
• Retirees/Actives	40%	81%
■ Benefit Payment Maturity	2016/17	Ratio to ARC & MVA
• Pay-as-you-go Cost	\$535	
• Annual Required Contribution	489	109%
• Market Value of Assets	8,127	7%
■ Actuarial Obligation Volatility	6/30/15	Ratio to Payroll
• Projected Payroll 2016/17	\$10,356	
• Actuarial Accrued Liability	10,835	105%
• Actuarial Value of Assets	8,141	79%
• Unfunded AAL	2,694	26%



February 18, 2016

29



ACTUARIAL CERTIFICATION

This report presents the City of Mission Viejo Retiree Healthcare Plan ("Plan") June 30, 2015 actuarial valuation. The purpose of this valuation is to:

- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2015 Benefit Obligations,
- Determine the Plan's June 30, 2015 Funded Status, and
- Calculate the 2016/17 Annual Required Contribution and 2017/18 Actuarially Determined Contribution.

The report provides information intended for reporting under GASB 43 and 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the Plan's financial management. Future valuations may differ significantly if the Plan's experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, and asset information provided by the City as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASB 43 and 45. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

John E. Bartel
ASA, MAAA, FCA
President
Bartel Associates, LLC
February 18, 2016

Joseph R. D'Onofrio
FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
February 18, 2016

Tak Frazita
ASA, EA, MAAA
Associate Actuary
Bartel Associates, LLC
February 18, 2016



February 18, 2016

30



EXHIBITS

<u>Topic</u>	<u>Page</u>
Premiums	E-1
Participant Statistics	E-10
Actuarial Assumptions	E-32
Actuarial Methods	E-43
Definitions	E-45



February 18, 2016

31



PREMIUMS

2014 PEMHCA Monthly Premiums
Other Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$536.99	\$1,073.98	\$1,396.17	\$341.12	\$682.24	\$1,023.36
Anthem HMO Traditional	592.20	1,184.40	1,539.72	341.12	682.24	1,023.36
Blue Shield Access+	543.21	1,086.42	1,412.35	298.21	596.42	894.63
Blue Shield NetValue	457.17	914.34	1,188.64	298.21	596.42	894.63
Health Net Salud y Más	489.82	979.64	1,273.53	261.24	522.48	783.72
Health Net Smart Care	568.51	1,137.02	1,478.13	261.24	522.48	783.72
Kaiser	602.79	1,205.58	1,567.25	294.97	589.94	884.91
Sharp	538.59	1,077.18	1,400.33	306.51	613.02	919.53
UnitedHealthcare	521.01	1,042.02	1,354.63	193.33	614.46	921.69
PERS Choice	612.25	1,224.50	1,591.85	307.23	614.46	921.69
PERS Select	586.32	1,172.64	1,524.43	307.23	614.46	921.69
PERSCare	638.22	1,276.44	1,659.37	327.36	654.72	982.08



February 18, 2016

E-1



PREMIUMS

2015 PEMHCA Monthly Premiums
Other Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$653.97	\$1,307.94	\$1,700.32	\$445.38	\$890.76	\$1,336.14
Anthem HMO Traditional	743.12	1,486.24	1,932.11	445.38	890.76	1,336.14
Blue Shield Access+	598.66	1,197.32	1,556.56	352.63	705.26	1,057.89
Blue Shield NetValue	561.09	1,122.18	1,458.83	352.63	705.26	1,057.89
Health Net Salud y Más	520.59	1,041.18	1,353.53	276.85	553.70	830.55
Health Net SmartCare	579.88	1,159.76	1,507.69	276.85	553.70	830.55
Kaiser	579.80	1,159.60	1,507.48	295.51	591.02	886.53
Sharp	564.57	1,129.14	1,467.88	327.66	655.32	982.98
UnitedHealthcare	449.10	898.20	1,167.67	267.41	678.94	1,018.41
PERS Choice	594.40	1,188.80	1,545.44	339.47	678.94	1,018.41
PERS Select	585.58	1,171.16	1,522.51	339.47	678.94	1,018.41
PERSCare	657.32	1,314.64	1,709.03	368.76	737.52	1,106.28



February 18, 2016

E-2



PREMIUMS

2016 PEMHCA Monthly Premiums
Other Southern California

Medical Plan	Non-Medicare Eligible			Medicare Eligible		
	Single	2-Party	Family	Single	2-Party	Family
Anthem HMO Select	\$634.75	\$1,269.50	\$1,650.35	n/a	n/a	n/a
Anthem HMO Traditional	710.79	1,421.58	1,848.05	n/a	n/a	n/a
Blue Shield Access+	654.87	1,309.74	1,702.66	n/a	n/a	n/a
Blue Shield NetValue	666.35	1,332.70	1,732.51	n/a	n/a	n/a
Health Net Salud y Más	535.98	1,071.96	1,393.55	n/a	n/a	n/a
Health Net SmartCare	596.98	1,193.96	1,552.15	n/a	n/a	n/a
Kaiser	605.05	1,210.10	1,573.13	\$297.23	\$594.46	\$891.69
Sharp	561.34	1,122.68	1,459.48	n/a	n/a	n/a
UnitedHealthcare	493.99	987.98	1,284.37	320.98	732.76	1,099.14
PERS Choice	683.71	1,367.42	1,777.65	366.38	732.76	1,099.14
PERS Select	625.20	1,250.40	1,625.52	366.38	732.76	1,099.14
PERSCare	761.50	1,523.00	1,979.90	408.04	816.08	1,224.12



February 18, 2016

E-3



PREMIUMS

PEMHCA Monthly Premium Increases
Other Southern California - 2015 to 2016

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	(2.9%)	n/a	7.5%	7.8%
Anthem HMO Traditional	(4.4%)	n/a	7.5%	7.8%
Blue Shield Access+	9.4%	n/a	7.5%	7.8%
Blue Shield NetValue	18.8%	n/a	7.5%	7.8%
Health Net Salud y Más	3.0%	n/a	7.5%	7.8%
Health Net SmartCare	2.9%	n/a	7.5%	7.8%
Kaiser	4.4%	0.6%	7.5%	7.8%
Sharp	(0.6%)	n/a	7.5%	7.8%
UnitedHealthcare	10.0%	20.0%	7.5%	7.8%
PERS Choice	15.0%	7.9%	7.5%	7.8%
PERS Select	6.8%	7.9%	7.5%	7.8%
PERSCare	15.8%	10.7%	7.5%	7.8%



February 18, 2016

E-4



PREMIUMS

PEMHCA Monthly Premium Increases
Other Southern California - 2014 to 2016

Medical Plan	Actual Increases		Assumed Increases	
	Non-Medicare	Medicare	Non-Medicare	Medicare
Anthem HMO Select	18.2%	n/a	16.1%	16.7%
Anthem HMO Traditional	20.0%	n/a	16.1%	16.7%
Blue Shield Access+	20.6%	n/a	16.1%	16.7%
Blue Shield NetValue	45.8%	n/a	16.1%	16.7%
Health Net Salud y Más	9.4%	n/a	16.1%	16.7%
Health Net SmartCare	5.0%	n/a	16.1%	16.7%
Kaiser	0.4%	0.8%	16.1%	16.7%
Sharp	4.2%	n/a	16.1%	16.7%
UnitedHealthcare	(5.2%)	66.0%	16.1%	16.7%
PERS Choice	11.7%	19.3%	16.1%	16.7%
PERS Select	6.6%	19.3%	16.1%	16.7%
PERSCare	19.3%	24.6%	16.1%	16.7%



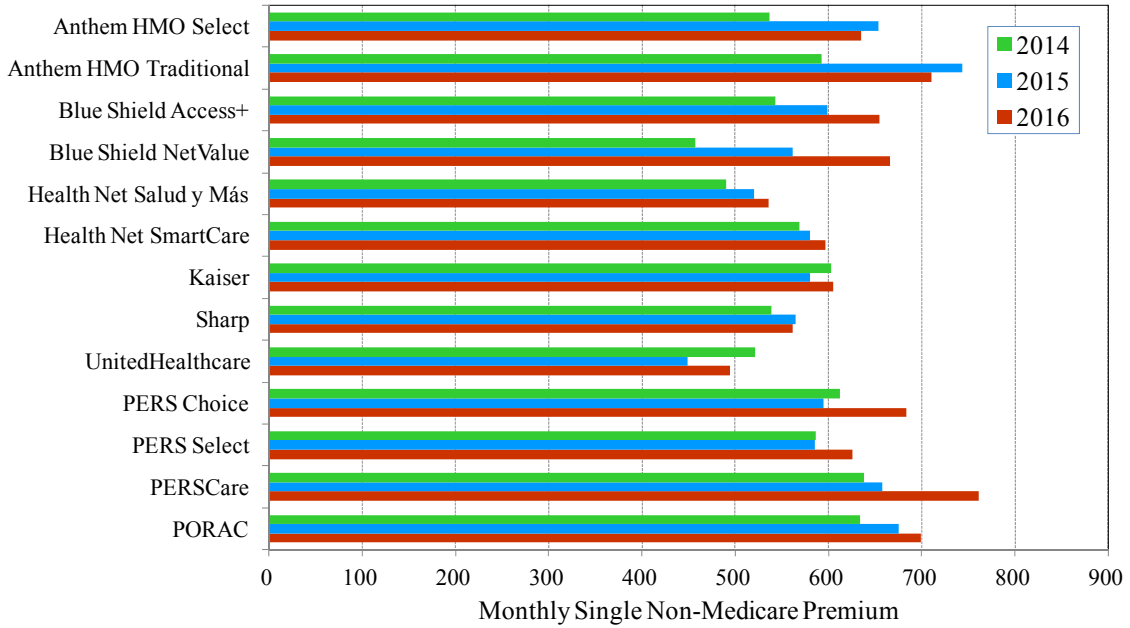
February 18, 2016

E-5



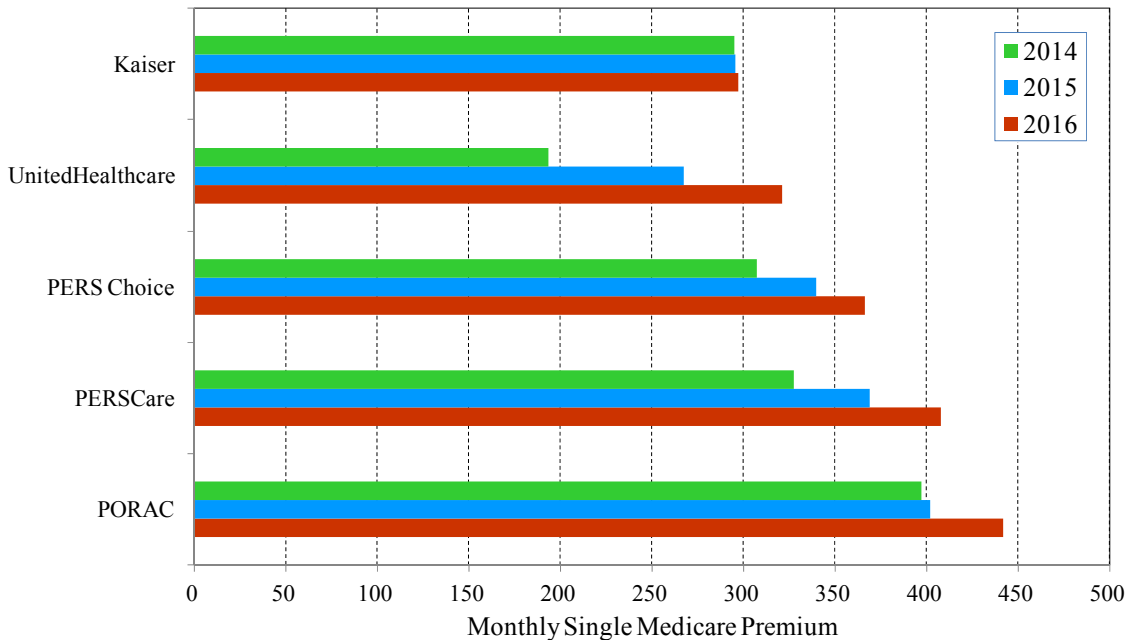
PREMIUMS

**PEMHCA Non-Medicare Eligible Premiums
Other Southern California**



PREMIUMS

**PEMHCA Medicare Eligible Premiums
Other Southern California**



PREMIUMS

Dental & Vision Monthly Premiums

2013 Monthly Premiums

Healthcare Plan	Single	2-Party	Family
Delta Preferred (DPPO)	\$75.68	\$134.42	\$221.15
Delta Care (DHMO)	19.66	35.28	52.54
VSP	24.17	37.94	64.52

2014 Monthly Premiums

Healthcare Plan	Single	2-Party	Family
Delta Preferred (DPPO)	\$75.68	\$134.42	\$221.15
Delta Care (DHMO)	20.45	36.69	54.64
VSP	25.38	39.84	67.74

2015 Monthly Premiums

Healthcare Plan	Single	2-Party	Family
Delta Preferred (DPPO)	\$72.30	\$128.40	\$211.20
Delta Care (DHMO)	21.38	38.36	57.13
VSP	25.38	39.84	67.74



February 18, 2016

E-8



PREMIUMS



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February 18, 2016

E-9



PARTICIPANT STATISTICS

Active Participant Employment Status

RIP Participants			
Hours	Full-Time Percent	Count	Percent of Total
35 - 40	0.875 - 1.000	122	88%
28 - 34	0.701 - 0.874	9	7%
20 - 27	0.500 - 0.700	7	5%
Total		138	100%



February 18, 2016

E-10



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	June 30, 2015				
	Actives	RIP Retirees		SHARE Retirees	
		< 65	≥ 65	< 65	≥ 65
Anthem HMO Select	2%	0%	0%	n/a	n/a
Blue Shield Access+	10%	13%	15%	n/a	n/a
Blue Shield NetValue	8%	0%	0%	n/a	n/a
Kaiser	33%	13%	10%	n/a	n/a
UnitedHealthcare	12%	0%	0%	n/a	n/a
PERS Choice	23%	50%	55%	n/a	n/a
PERS Select	5%	4%	0%	n/a	n/a
PERSCare	7%	21%	20%	n/a	n/a
Total	100%	100%	100%	n/a	n/a



February 18, 2016

E-11



PARTICIPANT STATISTICS

Medical Plan Participation
Non-Waived Participants

Medical Plan	June 30, 2013				
	Actives	RIP Retirees		SHARE Retirees	
		< 65	≥ 65	< 65	≥ 65
Anthem HMO Select	0%	0%	0%	n/a	n/a
Blue Shield Access+	8%	14%	18%	n/a	n/a
Blue Shield NetValue	6%	4%	0%	n/a	n/a
Kaiser	30%	9%	0%	n/a	n/a
UnitedHealthcare	0%	0%	0%	n/a	n/a
PERS Choice	29%	73%	64%	n/a	n/a
PERS Select	24%	0%	0%	n/a	n/a
PERSCare	3%	0%	18%	n/a	n/a
Total	100%	100%	100%	n/a	n/a



February 18, 2016

E-12



PARTICIPANT STATISTICS

Dental Plan Participation
Non-Waived Participants

Medical Plan	June 30, 2015				
	Actives	RIP Retirees		Share Retirees	
		< 65	≥ 65	< 65	≥ 65
Delta Preferred (DPPO)	59%	89%	85%	n/a	n/a
Delta Care (DHMO)	41%	11%	15%	n/a	n/a
Total	100%	100%	100%	n/a	n/a



February 18, 2016

E-13



PARTICIPANT STATISTICS

Dental Plan Participation
Non-Waived Participants

Medical Plan	June 30, 2013				
	Actives	RIP Retirees		Share Retirees	
		< 65	≥ 65	< 65	≥ 65
Delta Preferred (DPPO)	57%	78%	100%	n/a	n/a
Delta Care (DHMO)	43%	22%	0%	n/a	n/a
Total	100%	100%	100%	n/a	n/a



February 18, 2016

E-14



PARTICIPANT STATISTICS

Active Medical Coverage - June 30, 2015

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select	2				2
Blue Shield Access+	3	2	4		9
Blue Shield NetValue	1	1	5		7
Kaiser	12	10	8		30
UnitedHealthcare	6	1	4		11
PERS Choice	11	7	3		21
PERS Select	1		4		5
PERSCare	5	1			6
Waived				47	47
Total	41	22	28	47	138
Election %	45%	24%	31%		
Waived %				34%	



February 18, 2016

E-15



PARTICIPANT STATISTICS

Active Medical Coverage - June 30, 2013

Medical Plan	Single	2-Party	Family	Waived	Total
Anthem HMO Select					0
Blue Shield Access+	1	3	3		7
Blue Shield NetValue	3	1	1		5
Kaiser	12	7	8		27
UnitedHealthcare					0
PERS Choice	17	6	3		26
PERS Select	11	2	9		22
PERSCare	3				3
Waived				51	51
Total	47	19	24	51	141

Election %	52%	21%	27%		
Waived %				36%	



February 18, 2016

E-16



PARTICIPANT STATISTICS

Active Dental and Vision Coverage - June 30, 2015

Dental Plan	Single	2-Party	Family	Waived	Total
Delta Preferred (DPPO)	25	15	11		51
Delta Care (DHMO)	11	11	14		36
Waived				51	51
Total	36	26	25	51	138

Election %	41%	30%	29%		
Waived %				37%	

Vision Plan	Single	2-Party	Family	Waived	Total
VSP	27	17	12		56
Waived				82	82
Total	27	17	12	82	138

Election %	48%	30%	22%		
Waived %				59%	



February 18, 2016

E-17



PARTICIPANT STATISTICS

Active Dental and Vision Coverage - June 30, 2013

Dental Plan	Single	2-Party	Family	Waived	Total
Delta Preferred (DPPO)	26	12	13		51
Delta Care (DHMO)	15	11	13		39
Waived				51	51
Total	41	23	26	51	141

Election %	46%	25%	29%		
Waived %				36%	

Vision Plan	Single	2-Party	Family	Waived	Total
VSP	32	15	14		61
Waived				80	80
Total	32	15	14	80	141

Election %	52%	25%	23%		
Waived %				57%	



February 18, 2016

E-18



PARTICIPANT STATISTICS

Retiree Medical Coverage - June 30, 2015
RIP Participants - Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield Access+	2	1			3
Blue Shield Net Value					0
Kaiser	1	2			3
PERS Choice	3	7	2		12
PERS Select			1		1
PERS Care	4	1			5
Waived					0
Total	10	11	3	0	24

Election %	42%	46%	12%		
Waived %				0%	



February 18, 2016

E-19



PARTICIPANT STATISTICS

Retiree Medical Coverage - June 30, 2013
RIP Participants - Under Age 65

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield Access+	3				3
Blue Shield Net Value		1			1
Kaiser		2			2
PERS Choice	7	6	3		16
PERS Select					0
PERS Care					0
Waived				3	3
Total	10	9	3	3	25
Election %	45%	41%	14%		
Waived %				12%	



February 18, 2016

E-20



PARTICIPANT STATISTICS

Retiree Medical Coverage - June 30, 2015
RIP Participants - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield Access+		3			3
Blue Shield Net Value					0
Kaiser	2				2
PERS Choice	4	6	1		11
PERS Select					0
PERS Care	3	1			4
Waived				11	11
Total	9	10	1	11	31
Election %	45%	50%	5%		
Waived %				35%	



February 18, 2016

E-21



PARTICIPANT STATISTICS

Retiree Medical Coverage - June 30, 2013
RIP Participants - Age 65 & Over

Medical Plan	Single	2-Party	Family	Waived	Total
Blue Shield Access+	1	1			2
Blue Shield Net Value					0
Kaiser					0
PERS Choice					0
PERS Select	3	4			7
PERS Care	1	1			2
Waived				7	7
Total	5	6	0	7	18
Election %	45%	55%	0%		
Waived %				39%	



February 18, 2016

E-22



PARTICIPANT STATISTICS

Retiree Dental and Vision Coverage - June 30, 2015¹⁶
RIP Participants - Under Age 65

Dental Plan	Single	2-Party	Family	Waived	Total
Delta Preferred (DPPO)	8	5	3		16
Delta Care (DHMO)		2			2
Waived				6	6
Total	8	7	3	6	24
Election %	44%	39%	17%		
Waived %				25%	

Vision Plan	Single	2-Party	Family	Waived	Total
VSP	7	4	2		13
Waived				11	11
Total	7	4	2	11	24
Election %	54%	31%	15%		
Waived %				46%	

¹⁶ Waived counts include 2 retirees ineligible for City's dental and vision contributions.



February 18, 2016

E-23



PARTICIPANT STATISTICS

Retiree Dental and Vision Coverage - June 30, 2013

RIP Participants - Under Age 65

Dental Plan	Single	2-Party	Family	Waived	Total
Delta Preferred (DPPO)	6	5			11
Delta Care (DHMO)		1	1		2
Waived				18	18
Total	6	6	1	18	31

Election %	46%	46%	8%		
Waived %				58%	

Vision Plan	Single	2-Party	Family	Waived	Total
VSP	5	6	1		12
Waived				19	19
Total	5	6	1	19	31

Election %	42%	50%	8%		
Waived %				61%	



February 18, 2016

E-24



PARTICIPANT STATISTICS

Retiree Dental and Vision Coverage - June 30, 2015¹⁷

RIP Participants - Age 65 and Older

Dental Plan	Single	2-Party	Family	Waived	Total
Delta Preferred (DPPO)	6	5			11
Delta Care (DHMO)		1	1		2
Waived				18	18
Total	6	6	1	18	31

Election %	46%	46%	8%		
Waived %				58%	

Vision Plan	Single	2-Party	Family	Waived	Total
VSP	5	6	1		12
Waived				19	19
Total	5	6	1	19	31

Election %	42%	50%	8%		
Waived %				61%	

¹⁷ Waived counts include 15 retirees ineligible for City's dental and vision contributions.



February 18, 2016

E-25



PARTICIPANT STATISTICS

Retiree Dental and Vision Coverage - June 30, 2013

RIP Participants - Age 65 and Older

Dental Plan	Single	2-Party	Family	Waived	Total
Delta Preferred (DPPO)	4	2			6
Delta Care (DHMO)					0
Waived				12	12
Total	4	2	0	12	18

Election %	67%	33%	0%		
Waived %				67%	

Vision Plan	Single	2-Party	Family	Waived	Total
VSP	4	3			7
Waived				11	11
Total	4	3	0	11	18

Election %	57%	43%	0%		
Waived %				61%	



February 18, 2016

E-26



PARTICIPANT STATISTICS

Actives by Age and City Service

June 30, 2015

Age	City Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	1							1
25-29	2	2	1	2				7
30-34	2	4	7					13
35-39	2	5	2	4	2			15
40-44	1	2	3	2	1			9
45-49	2	5	6	4	4			21
50-54	1	2	4	9	8	3	3	30
55-59		1	2	1	7	1	1	13
60-64	1		3	7	3	2	3	19
≥ 65	1	1	5	2		1		10
Total	13	22	33	31	25	7	7	138



February 18, 2016

E-27



PARTICIPANT STATISTICS

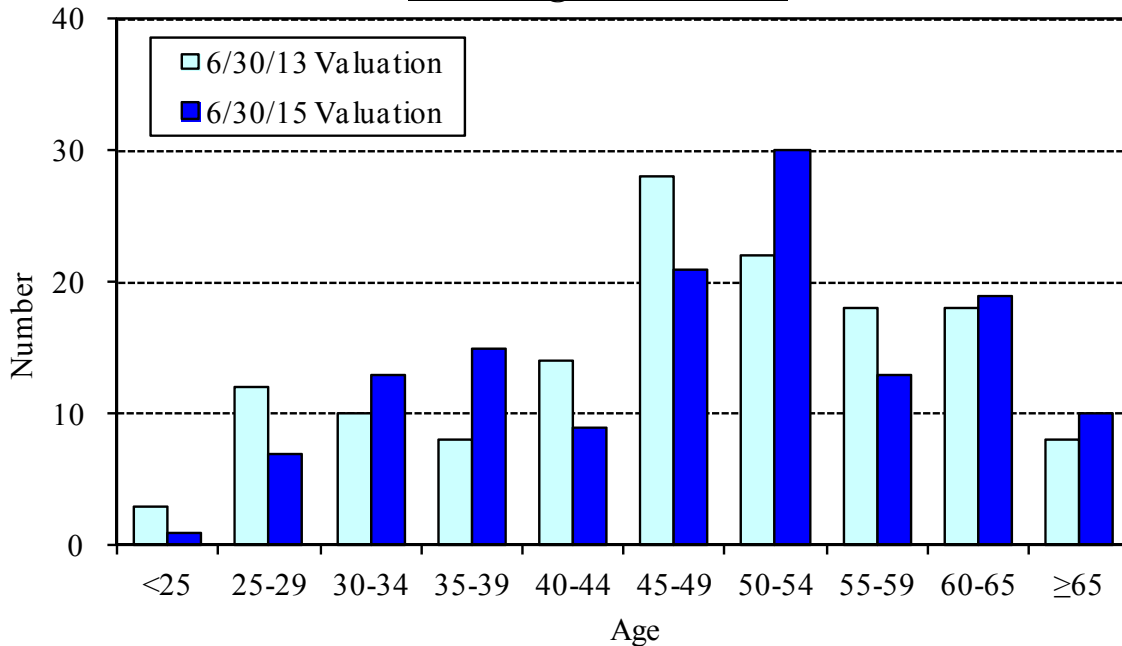
Retiree Medical Coverage by Age Group
June 30, 2015

Age	Single	2-Party	Family	Waived	Total
Under 50					0
50-54	2		1		3
55-59	2	3	2		7
60-64	6	8			14
65-69	8	6	1	5	20
70-74	1	1		1	3
75-79		3		3	6
80-84				2	2
Over 85					0
Total	19	21	4	11	55
Average Age	63.4	66.1	58.0	73.6	66.1



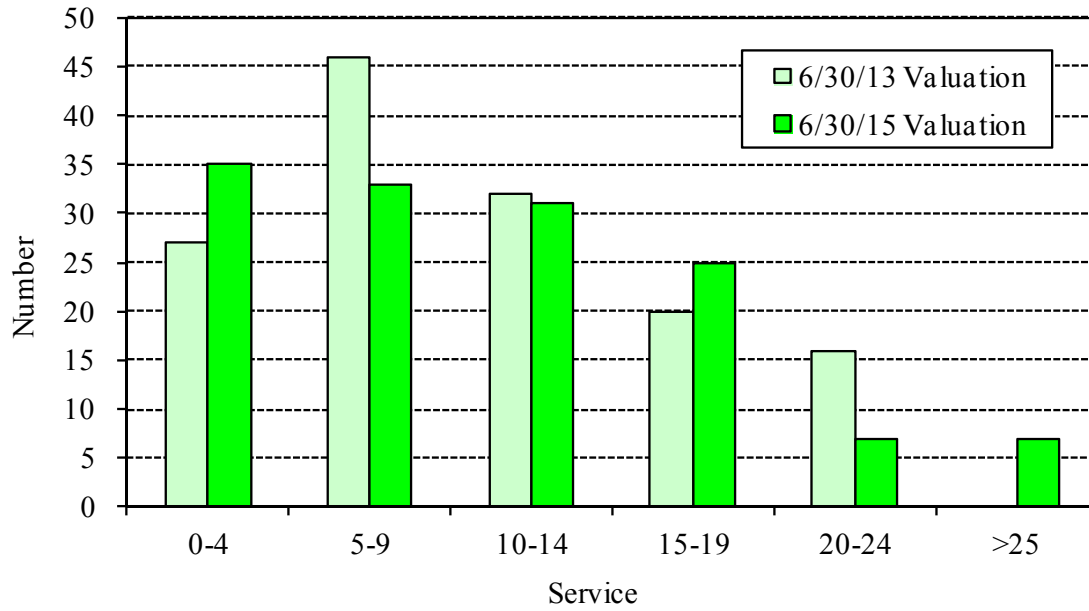
PARTICIPANT STATISTICS

Active Age Distribution



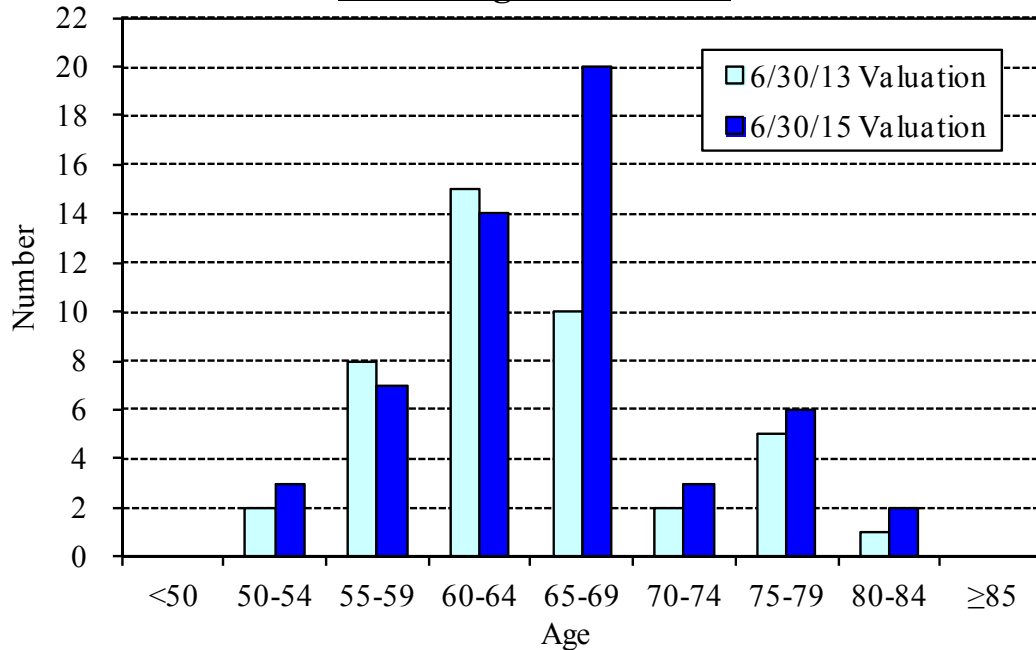
PARTICIPANT STATISTICS

Active Service Distribution



PARTICIPANT STATISTICS

Retiree Age Distribution



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 and 2017/18 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
<p>■ Funding Policy</p>	<ul style="list-style-type: none"> • Prefund full ARC with CERBT #1 • Benefit payments made from CERBT 	<ul style="list-style-type: none"> • Same
<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



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ General Inflation</p>	<ul style="list-style-type: none"> • 3.00% annually • Basis for aggregate payroll and discount rate assumptions 	<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 1997-2007 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation 	<ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study • Added to aggregate payroll increase assumption for Normal Cost calculation
<p>■ City Benefit Cap Increase</p>	<ul style="list-style-type: none"> • No increases 	<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>	
	Calendar Year	Non-Medicare All Plans Medicare
	2013	Premiums
	2014	Premiums
	2015	8.0% 8.3%
	2016	7.5% 7.8%
	2017	7.0% 7.2%
	2018	6.5% 6.7%
	2019	6.0% 6.1%
	2020	5.5% 5.6%
2021+	5.0% 5.0%	
■ PEMHCA Minimum Increases	<u>Increase from Prior Year</u>	
	Calendar Year	Non-Medicare All Plans Medicare
	2013	n/a
	2014	n/a
	2015	Premiums
	2016	Premiums
	2017	7.0% 7.2%
	2018	6.5% 6.7%
	2019	6.0% 6.1%
	2020	5.5% 5.6%
2021+	5.0% 5.0%	
■ Dental Trend	• 4.00% annually	• Same
■ Vision Trend	• 3.00% annually	• Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation	
■ HMO Medical Claims Costs 2016 PEMHCA Implied Subsidy Estimate	• Sample estimated monthly claims costs		
	<u>Southern California - Non-Medicare Eligible</u>		
		<u>BS Access+</u>	<u>BS NetValue</u>
		<u>M</u>	<u>F</u>
	<u>Age</u>	<u>M</u>	<u>F</u>
	25	\$243	\$478
	35	319	585
	45	508	614
	55	848	858
	60	1,083	1,013
65	1,368	1,232	
	<u>M</u>	<u>F</u>	
	\$268	\$526	
	351	644	
	558	676	
	933	943	
	1,191	1,114	
	1,504	1,354	
	<u>M</u>	<u>F</u>	
	\$205	\$403	
	269	493	
	428	518	
	715	723	
	913	854	
	1,153	1,038	



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation	
■ PPO Medical Claims Costs 2016 PEMHCA Implied Subsidy Estimate	<ul style="list-style-type: none"> • Sample estimated monthly claims costs 		
	Southern California - NonMedicare Eligible		
		<u>PERS Choice</u>	<u>PERS Select</u>
		<u>PERSCare</u>	
	<u>Age</u>	<u>M</u>	<u>F</u>
		<u>M</u>	<u>F</u>
	25	\$216	\$356
	35	321	493
45	510	558	
55	754	729	
60	906	837	
65	1,125	1,011	
	993	893	
1,305	1,173		
■ CalPERS Service	<ul style="list-style-type: none"> • CalPERS service • Used for CalPERS demographic tables which are based on total CalPERS service 	<ul style="list-style-type: none"> • Same 	



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																																										
■ Mortality, Termination, Disability	<ul style="list-style-type: none"> • CalPERS 1997-2007 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 																																										
■ Service Retirement	<ul style="list-style-type: none"> • CalPERS 1997-2007 Experience Study <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>CalPERS</u></th> <th style="text-align: center;"><u>Misc</u></th> <th style="text-align: center;"><u>ERA</u></th> </tr> </thead> <tbody> <tr> <td>CalPERS Hire Age</td> <td style="text-align: center;">35</td> <td></td> </tr> <tr> <td>Hired < 7/9/11</td> <td style="text-align: center;">2.7%@55</td> <td style="text-align: center;">58.1</td> </tr> <tr> <td>Hired ≥ 7/9/11</td> <td style="text-align: center;">2%@60</td> <td style="text-align: center;">60.8</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;">60.8</td> </tr> <tr> <td>➤ New Member</td> <td style="text-align: center;">2.5%@67</td> <td style="text-align: center;">60.9</td> </tr> </tbody> </table>	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u>	CalPERS Hire Age	35		Hired < 7/9/11	2.7%@55	58.1	Hired ≥ 7/9/11	2%@60	60.8	Hired ≥ 1/1/13			➤ Classic Member	2%@60	60.8	➤ New Member	2.5%@67	60.9	<ul style="list-style-type: none"> • CalPERS 1997-2011 Experience Study <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>CalPERS</u></th> <th style="text-align: center;"><u>Misc</u></th> <th style="text-align: center;"><u>ERA</u></th> </tr> </thead> <tbody> <tr> <td>CalPERS Hire Age</td> <td style="text-align: center;">35</td> <td></td> </tr> <tr> <td>Hired < 7/9/11</td> <td style="text-align: center;">2.7%@55</td> <td style="text-align: center;">58.6</td> </tr> <tr> <td>Hired ≥ 7/9/11</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 Member¹⁸</td> <td style="text-align: center;">2.5%@67</td> <td style="text-align: center;">60.9</td> </tr> </tbody> </table>	<u>CalPERS</u>	<u>Misc</u>	<u>ERA</u>	CalPERS Hire Age	35		Hired < 7/9/11	2.7%@55	58.6	Hired ≥ 7/9/11	2%@60	60.9	Hired ≥ 1/1/13			➤ Classic Member	2%@60	60.9	➤ New Member ¹⁸	2.5%@67	60.9
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¹⁸ Same as 2%@ 62.



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation																												
<ul style="list-style-type: none"> ■ 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 																												
<ul style="list-style-type: none"> ■ PEMHCA Administration Fee 	<ul style="list-style-type: none"> • 0.33% for 2013/14 • 0.35% for 2014/15 and later years - 5-year average through 2013/14: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Admin Fee</u></th> </tr> </thead> <tbody> <tr><td>2009/10</td><td>0.43%</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><u>0.33%</u></td></tr> <tr><td>5-Year Ave</td><td>0.35%</td></tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2009/10	0.43%	2010/11	0.37%	2011/12	0.36%	2012/13	0.25%	2013/14	<u>0.33%</u>	5-Year Ave	0.35%	<ul style="list-style-type: none"> • 0.32% for 2015/16 • 0.32% for 2016/17 and later years - 5-year average through 2015/16: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Admin Fee</u></th> </tr> </thead> <tbody> <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>0.34%</td></tr> <tr><td>2015/16</td><td><u>0.32%</u></td></tr> <tr><td>5-Year Ave</td><td>0.32%</td></tr> </tbody> </table>	<u>Year</u>	<u>Admin Fee</u>	2011/12	0.36%	2012/13	0.25%	2013/14	0.33%	2014/15	0.34%	2015/16	<u>0.32%</u>	5-Year Ave	0.32%
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ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Medical Plan at Retirement 	<ul style="list-style-type: none"> • Actives: <ul style="list-style-type: none"> ➢ Coverage < 65 - Based on current retiree < 65 plan elections ➢ Coverage ≥ 65 - Based on current retiree ≥ 65 plan elections • Retirees currently < 65: <ul style="list-style-type: none"> ➢ Coverage < 65 - Same as current plan election ➢ Coverage ≥ 65 - Based on current retiree ≥ 65 plan elections • Retirees currently ≥ 65 - Same as current plan election 	<ul style="list-style-type: none"> • Same • Participants in Blue Shield participate in United HealthCare after Medicare eligibility



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Participation at Retirement (Medical, Dental, Vision)</p>	<ul style="list-style-type: none"> • Actives & surviving spouses: <ul style="list-style-type: none"> ➢ RIP eligible - 100% ➢ PEMHCA minimum - 50% • Retirees & surviving spouses: <ul style="list-style-type: none"> ➢ Covered - 100% ➢ Waived - 20% elect at 65 and get PEMHCA minimum 	<ul style="list-style-type: none"> • Same
<p>■ Marital Status at Retirement</p>	<ul style="list-style-type: none"> • Actives <ul style="list-style-type: none"> ➢ Married if currently elect 2-party or family coverage ➢ Waived - 80% married • Retirees - based on spouse information if provided 	<ul style="list-style-type: none"> • Same



ACTUARIAL ASSUMPTIONS

Assumption	June 30, 2013 Valuation	June 30, 2015 Valuation
<p>■ Spouse & Dependent Coverage at Retirement</p>	<ul style="list-style-type: none"> • Spouse coverage: <ul style="list-style-type: none"> ➢ 100% elect CalPERS joint and survivor annuity ➢ Coverage assumption same as retiree assumption • Family coverage: <ul style="list-style-type: none"> ➢ Current actives -10% until age 65 ➢ Current retirees - current coverage until age 65 	<ul style="list-style-type: none"> • Same
<p>■ Medicare Eligibility</p>	<ul style="list-style-type: none"> • 100% eligible for Medicare at age 65 • All Medicare eligible will elect Part B coverage 	<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 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 METHODS

Method	June 30, 2015 Valuation
<ul style="list-style-type: none"> ■ Cost Method 	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll
<ul style="list-style-type: none"> ■ 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
<ul style="list-style-type: none"> ■ Amortization Method 	<ul style="list-style-type: none"> • Level percent of payroll
<ul style="list-style-type: none"> ■ Amortization Period for ARC & NOO 	<ul style="list-style-type: none"> • 7-year fixed (closed) period for projected 6/30/14 UAAL for 2014/15 ARC • 15-year fixed (closed) period for projected 6/30/16 UAAL for 2016/17 ARC for implied subsidy • 15-year fixed (closed) periods for subsequent gains/losses • Average amortization period for NOO adjustment
<ul style="list-style-type: none"> ■ Implied Subsidy 	<ul style="list-style-type: none"> • Implied subsidy included for non-Medicare eligible retirees



ACTUARIAL METHODS

Method	June 30, 2015 Valuation
<p>■ Future New Entrants</p>	<ul style="list-style-type: none"> ● Valuation Results - Closed group, no new hires for first year ARC ● Projections and second year ARC: <ul style="list-style-type: none"> ➢ Simplified open group projection ➢ Total active pay increased in accordance with aggregate payroll assumption ➢ New hires assumed in SHARE ➢ No additional retirees from new hires over the 10-year projection period



DEFINITIONS

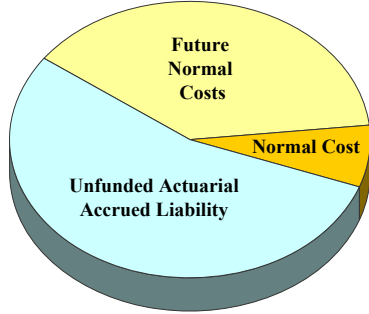
<p>■ GASB 45 Accrual Accounting</p>	<ul style="list-style-type: none"> ● Project future employer-provided benefit cash flow for current active employees and current retirees ● Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine present value of benefits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



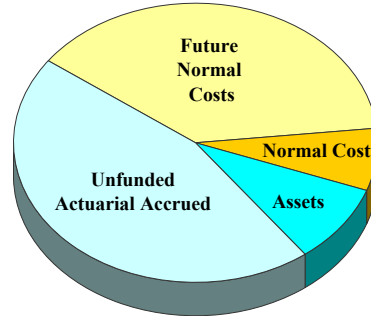
DEFINITIONS

Present Value of Benefits

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



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



February 18, 2016

E-46



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



February 18, 2016

E-47

