

nyhart

# GASB Nos. 74 & 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2018  
(Measured at June 30, 2018)

## City of Alameda

**Nyhart Actuary & Employee Benefits**  
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<b>Certification</b>	<b>1</b>
<b>Valuation Results Summary</b>	<b>3</b>
<b>GASB 75 Summary</b>	<b>4</b>
<b>Statement of Fiduciary Net Position</b>	<b>5</b>
<b>Statement of Changes in Fiduciary Net Position</b>	<b>6</b>
<b>Schedule of Changes in Net OPEB Liability and Related Ratios</b>	<b>7</b>
<b>OPEB Expense</b>	<b>8</b>
<b>Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</b>	<b>9</b>
<b>Net OPEB Liability Sensitivity</b>	<b>10</b>
<b>Schedule of Contributions</b>	<b>11</b>
<b>Rate of Return</b>	<b>12</b>
<b>Valuation Data</b>	<b>13</b>
<b>Benefit Plan Provisions</b>	<b>17</b>
<b>Actuarial Assumptions and Methods</b>	<b>20</b>
<b>Appendix - Net OPEB Liability and Balances by Group</b>	<b>24</b>

**Ms. Elena Adair**  
**City of Alameda**  
**2263 Santa Clara Avenue**  
**Alameda, CA 94501**

1/7/2019

This report summarizes the GASB actuarial valuation for the City of Alameda's Other Post Employment Benefit (OPEB) for the fiscal year ending June 30, 2018 (measured at June 30, 2018). Nyhart prepared this report to meet employer financial accounting requirements under Governmental Accounting Standards Board (GASB) Statement Nos. 74 & 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions). To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 & 75.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period and roll-forward techniques); and changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

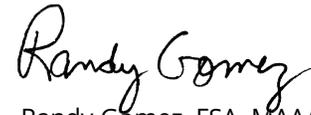
To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

Handwritten signature of Luis Murillo in black ink.

Luis Murillo, ASA, MAAA  
Consulting Actuary

Handwritten signature of Randy Gomez in black ink.

Randy Gomez, FSA, MAAA  
Consulting Actuary

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Valuation Results Summary**

As of Valuation Date: June 30, 2016

	Miscellaneous	Fire	Police	Total
<b>Present Value of Employer Contributions</b>				
Actives	\$ 10,553,963	\$ 43,948,973	\$ 31,905,218	\$ 86,408,154
Retirees	5,212,216	23,372,323	33,112,026	61,696,565
Total	<u>\$ 15,766,179</u>	<u>\$ 67,321,296</u>	<u>\$ 65,017,244</u>	<u>\$ 148,104,719</u>
<i>Portion due to Explicit</i>	<i>\$ 11,518,888</i>	<i>\$ 59,955,201</i>	<i>\$ 57,554,063</i>	<i>\$ 129,028,152</i>

<b>Total (Accrued) OPEB Liability</b>				
Actives	\$ 5,491,027	\$ 23,283,039	\$ 15,356,836	\$ 44,130,902
Retirees	5,212,216	23,372,323	33,112,026	61,696,565
Total	<u>\$ 10,703,243</u>	<u>\$ 46,655,362</u>	<u>\$ 48,468,862</u>	<u>\$ 105,827,467</u>
<i>Portion due to Explicit</i>	<i>\$ 8,218,096</i>	<i>\$ 42,062,360</i>	<i>\$ 43,219,787</i>	<i>\$ 93,500,243</i>

	Explicit	Implicit	Total
<b>Projected Employer Contributions</b>			
2017	\$ 2,960,040	\$ 650,554	\$ 3,610,594
2018	2,988,612	670,740	3,659,352
2019	3,095,564	723,597	3,819,161
2020	3,348,716	788,684	4,137,400
2021	3,619,231	872,635	4,491,866
2022	3,806,900	894,164	4,701,064
2023	4,065,713	947,766	5,013,479
2024	4,301,059	969,203	5,270,262
2025	4,539,902	1,020,832	5,560,734
2026	4,770,377	1,067,859	5,838,236

**Actuarial Assumptions as of Valuation Date**

Inflation	2.75%
Salary increases	Salary Scale
Discount rate	3.98%

**Plan Membership**

Inactive plan members or beneficiaries currently receiving benefits	199
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>477</u>
	676

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**GASB 75 Summary**

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**Net OPEB Liability**

The components of the Net OPEB Liability at June 30,

	<b>2018</b>
Total OPEB Liability	\$ 114,742,012
Plan fiduciary net position	(11,785,405)
Net OPEB Liability	\$ 102,956,607
Plan fiduciary net position as a % of the Total OPEB Liability	10.27%
OPEB Expense for the Fiscal Year Ended June 30,	\$ 6,319,286

**Actuarial Assumptions**

The Total OPEB Liability was determined using the following actuarial assumptions.

Inflation	2.75%
Salary increases	Salary Scale
Investment rate of return	6.25%
Discount rate	3.98%

**Plan Membership**

The Total OPEB Liability was determined based on the plan membership as of June 30,

	<b>2016</b>
Inactive plan members or beneficiaries currently receiving benefits	199
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	477
	676

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Statement of Fiduciary Net Position**

	<b>June 30, 2018</b>
<b>Assets</b>	
Cash and deposits	N/A
Securities lending cash collateral	N/A
Total cash	N/A
Receivables:	
Contributions	N/A
Due from broker for investments sold	N/A
Investment income	N/A
Accrued Income	N/A
Total receivables	N/A
Investments:	
Fixed Income	N/A
Domestic Equity	N/A
International Equity	N/A
Real Estate	N/A
Total investments	N/A
Total assets	N/A
<b>Liabilities</b>	
Payables:	
Investment management fees	N/A
Due to broker for investments purchased	N/A
Collateral payable for securities lending	N/A
Other	N/A
Total liabilities	N/A
<b>Net position restricted for OPEB</b>	<b>\$ 11,785,405</b>

Note: This information will be provided separately from PARS.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Statement of Changes in Fiduciary Net Position**

<b>Additions</b>	<u><b>June 30, 2018</b></u>
Contributions:	
Employer	\$ 7,491,148
Member	0
Nonemployer Contributing Entity	0
Total contributions	<u>\$ 7,491,148</u>
Investment income:	
Net increase in fair value of investments	\$ 598,104
Interest and dividends	0
Less investment expense, other than from securities lending	0
Net income other than from securities lending	<u>\$ 598,104</u>
Securities lending income	0
Less securities lending expense	0
Net income from securities lending	<u>\$ 0</u>
Net investment income	<u>\$ 598,104</u>
Other	703
Total additions	<u>\$ 8,089,955</u>
<b>Deductions</b>	
Benefit payments	\$ 3,659,352
Administrative expense	33,220
Investment Fees	0
Total deductions	<u>\$ 3,692,572</u>
<b>Net increase in net position</b>	<u><b>\$ 4,397,383</b></u>
<b>Net position restricted for OPEB</b>	
Beginning of year	<u><b>\$ 7,388,022</b></u>
End of year	<u><b>\$ 11,785,405</b></u>

Note: The employer contributions include retiree benefit payments inclusive of subsidy not reimbursed from the trust.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

<b>Total OPEB Liability</b>	<b>2018</b>
Service cost	\$ 4,137,661
Interest	4,316,741
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	(6,336,836)
Benefit payments, including refunds of member contributions	<u>(3,659,352)</u>
<b>Net change in Total OPEB Liability</b>	<u>(1,541,786)</u>
<b>Total OPEB Liability - beginning</b>	<u>116,283,798</u>
<b>Total OPEB Liability - ending (a)</b>	<u>\$ 114,742,012</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	7,491,148
Contributions - member	0
Contributions - nonemployer contributing member	0
Net investment income	598,104
Benefit payments, including refunds of member contributions	(3,659,352)
Administrative expenses	(33,220)
Other	703
<b>Net change in plan fiduciary net position</b>	<u>\$ 4,397,383</u>
<b>Plan fiduciary net position - beginning</b>	<u>7,388,022</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 11,785,405</u>
<b>Net OPEB Liability - ending (a) - (b)</b>	<u>\$ 102,956,607</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	10.3%
<b>Covered - employee payroll</b>	\$ 74,110,195
<b>Net OPEB Liability as percentage of covered-employee payroll</b>	138.9%

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**OPEB Expense**

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Service cost	\$ 4,137,661
Interest on Total OPEB Liability	4,316,741
Projected earnings on OPEB plan investments	(580,457)
Reduction for contributions from active employees	0
OPEB plan administrative expense	33,220
Changes of benefit terms	0
Other changes	0
Current period recognition of deferred outflows/(inflows) of resources	
Differences between Expected & Actual Experience in measurement of the Total OPEB Liability	0
Changes of assumptions	(1,584,209)
Differences between Projected & Actual Earnings on OPEB Plan Investments	(3,670)
<b>Annual OPEB Expense</b>	<u>\$ 6,319,286</u>

**Retiree Health Plan**

**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

Differences between expected and actuarial experience in measurement of the Total OPEB Liability for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2018 Balance
June 30, 2018	\$ 0	4	\$ 0	\$ 0
Total			\$ 0	\$ 0

Changes of assumptions for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2018 Balance
June 30, 2018	\$ (6,336,836)	4	\$ (1,584,209)	\$ (4,752,627)
Total			\$ (1,584,209)	\$ (4,752,627)

Differences between projected and actual earnings on OPEB plan investments for the period ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2018 Balance
June 30, 2018	\$ (18,350)	5	\$ (3,670)	\$ (14,680)
Total			\$ (3,670)	\$ (14,680)

The balances as of June 30, 2018 of the deferred outflows/(inflows) of resources will be recognized in OPEB expense for the period ending June 30,

2019	\$ (1,587,879)
2020	\$ (1,587,879)
2021	\$ (1,587,879)
2022	\$ (3,670)
2023	\$ 0
Thereafter	\$ 0

**Discount rate**

The discount rate used to measure the Total OPEB Liability is 3.98%.

**Sensitivity of the Net OPEB Liability to changes in the discount rate**

The following presents the Net OPEB Liability, calculated using the discount rate of 3.98%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
	<hr/>	<hr/>	<hr/>
Net OPEB Liability	\$ 123,286,712	\$ 102,956,607	\$ 87,103,959

**Sensitivity of the Net OPEB Liability to changes in healthcare cost trend rates**

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
	(5.00%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	(6.00%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	(7.00%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
	<hr/>	<hr/>	<hr/>
Net OPEB Liability	\$ 83,855,077	\$ 102,956,607	\$ 127,875,130

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Schedule of Contributions**

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This schedule is not required for plans not funding actuarially determined contributions.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<b>Asset class</b>	Target allocation	Long-term expected real rate of return
<b><i>Balanced Plus</i></b>		
Equity	60.0%	4.25%
Fixed Income	35.0%	2.25%
Cash	5.0%	0.00%
<b>Total</b>	100.0%	
 <b><i>Moderate Plus</i></b>		
Equity	50.0%	4.25%
Fixed Income	45.0%	2.25%
Cash	5.0%	0.00%
<b>Total</b>	100.0%	

Long-term expected rate of return is 6.25%.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Valuation Data**

The valuation was based on the census data furnished to us by the City. The following tables display the age distribution for retirees and the age/service distribution for active employees. The census data provided by the City did not include bargaining units for every employee and retiree so employees labeled as Safety employees are assumed to fall under the benefit structures defined for APOA, APMA, IAFF, and AFCA. The retiree census data did not contain the City contributions or the City date of hire. The retiree contribution was inferred from the service variable on the retiree data file.

Age Distribution of Eligible Retired Participants & Beneficiaries

<b>Age</b>	<b>Misc</b>	<b>Safety</b>	<b>Total</b>	<b>Waives</b>
<50	0	9	9	7
50-54	0	33	33	4
55-59	9	33	42	7
60-64	24	23	47	30
65-69	33	38	71	45
70-74	27	33	60	37
75-79	23	24	47	22
80+	<u>18</u>	<u>26</u>	<u>44</u>	<u>47</u>
Total:	134	219	353	199
Average Age:	71.2	66.3	68.1	72.2
Average Retirement Age:	59.1	50.3	53.6	57.2

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Valuation Data**

Age/Service Distribution of All Active Benefit Eligible Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	8									8
25-29	26									26
30-34	21	19	5	2						47
35-39	25	16	18	5						64
40-44	12	5	14	14	4					49
45-49	10	7	13	28	15	15				88
50-54	14	4	10	19	11	15	1			74
55-59	13	3	12	10	9	11	6	2		66
60-64	10	2	8	8	4	6	2	2	1	43
65-69	2	0	2	2	0	1	1	0	2	10
70+	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total:	142	56	82	88	43	49	10	4	3	477
Average Age:			46.8							
Average Service:			12.9							
PERS Service:			14.1							

**Retiree Health Plan  
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)  
Valuation Data**

Age/Service Distribution of All Active Benefit Eligible Miscellaneous Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	4									4
25-29	8									8
30-34	10	3	3	2						18
35-39	20	6	6	4						36
40-44	10	3	8	6	1					28
45-49	10	6	8	11	5	2				42
50-54	14	4	8	12	5	8	1			52
55-59	13	3	12	9	8	9	6	2		62
60-64	10	2	8	8	4	4	2	2	1	41
65-69	2	0	2	2	0	1	1	0	2	10
70+	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Total:	102	27	55	54	23	25	10	4	3	303
Average Age:			50.0							
Average Service:			12.6							
PERS Service:			14.1							

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Valuation Data**

Age/Service Distribution of All Active Benefit Eligible Safety Employees

Age	Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	
20-24	4									4
25-29	18									18
30-34	11	16	2							29
35-39	5	10	12	1						28
40-44	2	2	6	8	3					21
45-49	0	1	5	17	10	13				46
50-54	0	0	2	7	6	7				22
55-59	0	0	0	1	1	2				4
60-64	0	0	0	0	0	2	0			2
65-69	0	0	0	0	0	0	0	0		0
70+	<u>0</u>									
Total:	40	29	27	34	20	24	0	0	0	174
Average Age:			41.1							
Average Service:			13.4							
PERS Service:			14.1							

**Retiree Health Plan  
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)  
Benefit Plan Provisions**

This valuation analyzes the postretirement health benefit plans provided by the City. The City provides post-employment medical benefits to eligible employees at retirement. Employees who meet the eligibility requirements for the program may continue their medical coverage through the CalPERS Health Plan and receive a contribution from the City.

Eligibility requires retiring from the City under CalPERS typically on or after age 50 (52 for PEPRA employees) with at least 5 years of CalPERS service or disability retirement. The City's contribution for medical coverage for Miscellaneous employees is the PEMHCA minimum required contribution (MRC) - \$125 per month in 2016, \$128 per month in 2017, \$133 per month in 2018 and scheduled to increase in future years. The City's contribution for Safety varies depending on date of retirement and date of hire as follows:

*Employees Retiring Prior to January 1, 2011*

The City pays the full premium cost for the retiree and any covered spouse. If APOA employee hired prior to July 1, 1995, the employee was required to have at least 15 years of City service. If APOA, APMA, IAFF, or AFCA employee hired on or after July 1, 1995, the employee was required to have at least 20 years of City service. If not meeting the service requirement, the employee received the PEMHCA MRC.

*Employees Retiring On or After January 1, 2011*

If employee is hired on or prior to June 7, 2011, the City pays up to the higher of the Kaiser or Blue Shield Bay Area two-party rate. Employees with less than 5 years of City service receive the PEMHCA MRC. If employee is hired after June 7, 2011, the City pays up to the higher of the Kaiser or Blue Shield rate for single coverage if the employee has at least 10 years of City service. Employees with less than 10 years of City service receive the PEMHCA MRC. Surviving spouses are eligible to continue coverage after the death of the retiree and receive a similar contribution.

*Dental Benefits*

Full dental benefits are provided to Safety including spouse coverage.

Premium Rates

The City participates in the CalPERS Health Program, a community-rated program, for medical coverage. The tables below summarize the calendar 2016, 2017 and 2018 monthly medical premiums for the primary medical plans in which the retirees are enrolled.

<b>2016 Bay Area</b>	<b>Kaiser</b>	<b>BS HMO</b>	<b>BS NVP HMO</b>	<b>PERSCare</b>	<b>PERSChoice</b>	<b>PERSselect</b>
Retiree Only	\$ 746.47	\$1,016.18	\$1,033.86	\$ 889.27	\$ 798.36	\$ 730.07
Retiree Plus Spouse	\$1,492.94	\$2,032.36	\$2,067.72	\$1,778.54	\$1,596.72	\$1,450.14
Retiree Plus Family	\$1,940.82	\$2,642.07	\$2,688.04	\$2,312.10	\$2,075.74	\$1,898.18
Retiree Only- Medicare	\$ 297.23	N/A	N/A	\$408.04	\$ 366.38	\$ 366.38
Retiree Plus Spouse – Medicare	\$ 594.46	N/A	N/A	\$816.08	\$ 732.76	\$ 732.76

**Retiree Health Plan  
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)  
Benefit Plan Provisions**

<b>2016 Bay Area (Continued)</b>	<b>UHC HMO</b>	<b>Anthem HMO Select</b>	<b>Anthem HMO Traditional</b>
Retiree Only	\$ 955.44	\$ 721.79	\$ 855.42
Retiree Plus Spouse	\$1,910.88	\$1,443.58	\$1,710.84
Retiree Plus Family	\$2,484.14	\$1,876.65	\$2,224.09
Retiree Only- Medicare	\$ 320.98	N/A	N/A
Retiree Plus Spouse - Medicare	\$ 641.96	N/A	N/A

<b>2017 Bay Area</b>	<b>Kaiser</b>	<b>BS HMO</b>	<b>PERSCare</b>	<b>PERSChoice</b>	<b>PERS Select</b>
Retiree Only	\$ 733.39	\$1,024.85	\$ 932.39	\$ 830.30	\$ 736.27
Retiree Plus Spouse	\$1,466.78	\$2,049.70	\$1,864.78	\$1,660.60	\$1,472.54
Retiree Plus Family	\$1,906.81	\$2,664.61	\$2,424.21	\$2,158.78	\$1,914.30
Retiree Only- Medicare	\$ 300.48	N/A	\$ 389.76	\$ 353.63	\$ 353.63
Retiree Plus Spouse - Medicare	\$ 600.96	N/A	\$ 779.52	\$ 707.26	\$ 707.26

<b>2017 Bay Area (Continued)</b>	<b>UHC HMO</b>	<b>Anthem HMO Select</b>	<b>Anthem HMO Traditional</b>	<b>Health Net Smart Care</b>
Retiree Only	\$1,062.26	\$ 783.46	\$ 990.05	\$ 733.29
Retiree Plus Spouse	\$2,124.52	\$1,566.92	\$1,980.10	\$1,466.58
Retiree Plus Family	\$2,761.88	\$2,037.00	\$2,574.13	\$1,906.55
Retiree Only- Medicare	\$ 324.21	N/A	N/A	N/A
Retiree Plus Spouse - Medicare	\$ 648.42	N/A	N/A	N/A

<b>2018 Bay Area</b>	<b>Kaiser</b>	<b>BS HMO</b>	<b>PERSCare</b>	<b>PERSChoice</b>	<b>PERS Select</b>
Retiree Only	\$ 779.86	\$ 889.02	\$ 882.45	\$ 800.27	\$ 717.50
Retiree Plus Spouse	\$1,559.72	\$1,778.04	\$1,764.90	\$1,600.54	\$1,435.00
Retiree Plus Family	\$2,027.64	\$2,311.45	\$2,294.37	\$2,080.70	\$1,865.50
Retiree Only- Medicare	\$ 316.34	N/A	\$ 382.30	\$ 345.97	\$ 345.97
Retiree Plus Spouse - Medicare	\$ 632.68	N/A	\$ 764.60	\$ 691.94	\$ 691.94

**Retiree Health Plan  
GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)  
Benefit Plan Provisions**

<b>2018 Bay Area (Continued)</b>	<b>UHC HMO</b>	<b>Anthem HMO Select</b>	<b>Anthem HMO Traditional</b>	<b>Health Net Smart Care</b>
Retiree Only	\$1,371.84	\$ 856.41	\$ 925.47	\$ 863.48
Retiree Plus Spouse	\$2,743.68	\$1,712.82	\$1,850.94	\$1,726.96
Retiree Plus Family	\$3,566.78	\$2,226.67	\$2,406.22	\$2,245.05
Retiree Only- Medicare	\$ 330.76	N/A	N/A	N/A
Retiree Plus Spouse - Medicare	\$ 661.52	N/A	N/A	N/A

*Dental Plans*

<b>Dental Premiums</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Retiree Only	\$ 58.30	\$ 59.40	\$53.20
Retiree Plus One	\$ 58.30	\$ 59.40	\$53.20
Retiree Plus Family	\$ 58.30	\$ 59.40	\$53.20

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Actuarial Assumptions and Methods**

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The liabilities set forth in this report are based on the actuarial assumptions described in this section.

Fiscal Year:	July 1 <sup>st</sup> to June 30 <sup>th</sup>
Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2018 for FYE2018
Funding Practice:	<p>Miscellaneous employees are primarily pay-as-you-go. The City does not have a consistent pre-funding policy or practice for additional prefunding but also does not reimburse for its current retiree payments from the Trust.</p> <p>Safety employees: After initial funding through January 1, 2016 then \$250,000 each January from 2017 through 2026.</p> <p>Employees hired on or prior to June 7, 2011 step up to 4% contribution in 2018 (2% in 2016 and 3% in 2017).</p> <p>Employees hired after June 7, 2011 step up to 2% contribution in 2017 (1% in 2016).</p> <p>Funds are deposited/invested in two PARS OPEB trusts. Benefits may be paid from the trust starting in 2019 (for employees retiring on or after January 1, 2019 only).</p>
Asset Return:	6.25% per year; based on the combined PARS current allocation targets.
Discount Rate:	<p>3.98%. Based on blended of asset expected rate of return and 3.4% using the average of 3 - 20 year municipal bond rate indices: S&amp;P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, Fidelity GO AA 20 Year Bond Index.</p> <p><i>[The discount rate at a measurement date of June 30, 2017 was 3.64%]</i></p>
Inflation:	2.75% per annum
Payroll Increases:	3.0% per annum, in aggregate
Salary Increases:	3.0% plus Merit Increase
Merit Increases:	Merit increases from the most recent CalPERS pension plan experiences study. The benefits are not payroll related but each individual's projected cost is allocated over their lifetime as a level-percentage of pay.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Actuarial Assumptions and Methods**

Pre-retirement Turnover: According to the termination rates under the CalPERS pension plan. Sample rates for Miscellaneous employees are as follows:

Service	Entry Age			
	20	30	40	50
0	17.42%	16.06%	14.68%	13.32%
5	8.68%	7.11%	5.54%	0.97%
10	6.68%	5.07%	0.71%	0.38%
15	5.03%	3.47%	0.23%	0.04%
20	3.70%	0.21%	0.05%	0.01%
25	2.29%	0.05%	0.01%	0.01%
30	0.05%	0.01%	0.01%	0.01%

Sample rates for Firefighter employees are as follows:

Service	Entry Age			
	20	30	40	50
0	9.5%	9.5%	9.5%	9.5%
5	2.6%	2.6%	2.6%	1.0%
10	0.9%	0.9%	0.3%	0.3%
15	0.8%	0.8%	0.2%	0.2%
20	0.7%	0.2%	0.2%	0.2%
25	0.6%	0.1%	0.1%	0.1%
30	0.1%	0.1%	0.1%	0.1%

Sample rates for Police employees are as follows:

Service	Entry Age			
	20	30	40	50
0	10.1%	10.1%	10.1%	10.1%
5	2.5%	2.5%	2.5%	0.9%
10	1.8%	1.8%	0.5%	0.5%
15	1.1%	1.1%	0.3%	0.3%
20	0.8%	0.2%	0.2%	0.2%
25	0.7%	0.1%	0.1%	0.1%
30	0.1%	0.1%	0.1%	0.1%

Mortality: According to the mortality rates under the CalPERS most recent pension experience study projected fully generational Scale MP-2014 modified to converge to ultimate rates in 2022.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Actuarial Assumptions and Methods**

Disability Rates: According to the disability rates under the CalPERS pension plan updated to reflect the most recent experience study. Sample industrial disabilities per 1,000 employees:

Age	Miscellaneous	Safety	Firefighter
25	0.0	3.2	1.2
30	0.0	6.4	2.5
35	0.0	9.7	3.7
40	0.0	12.9	4.9
45	0.0	16.1	6.1
50	0.0	19.2	7.4
55	0.0	66.8	72.1

Retirement Rates: According to the retirement rates under the CalPERS pension plan updated to reflect the most recent experience study as follows:

Miscellaneous Employees

Tier 1 – 2.0% @ Age 55

Tier 2 – 2.0% @ Age 62

Firefighter Employees

Tier 1 – 3.0% @ Age 50

Tier 2 – 2.7% @ Age 57

Police Employees

Tier 1 – 3.0% @ Age 50

Tier 2 – 2.7% @ Age 57

Participation Rates: 100% of eligible active Safety employees and 60% of eligible active Miscellaneous employees are assumed to elect medical coverage at retirement.

In addition, 20% of current retirees under age 65 waiving coverage are assumed to re-enroll upon reaching age 65.

Plan Participation: Actual plan coverage is used for future retirees (actives) and current retirees. If future retiree (active) is currently waiving coverage, assume election of Blue Shield Bay Area.

An assumption has been made that retirees electing a non-Kaiser HMO plan will elect the UHC Medicare Plan.

Spouse Coverage: 80% of future retirees are assumed to cover their spouse at retirement. The 80% is reduced to 50% for Miscellaneous employees receiving the MRC and for Safety employees hired after June 7, 2011. Male spouses of future retirees are assumed to be 3 years older than female spouses. Actual spouse coverage and spouse ages are used for current retirees, if available.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Actuarial Assumptions and Methods**

Dependent Coverage: None assumed since no City contribution for coverage.

Claim Cost Development: The valuation claim costs are based on the premiums paid for medical insurance coverage. The City participates in CalPERS, a community rated plan. An implicit rate subsidy can exist when the non-Medicare rates for retirees are the same as for active employees. Since non-Medicare eligible retirees are typically much older than active employees, their actual medical costs are typically higher than for active employees. The current valuation contains an estimate of the implicit rate subsidy.

Medical Trend Rates: Medical costs are adjusted in future years by the following trends:

Year	PPO	HMO
2018	Actual	Actual
2019	6.5%	6.0%
2020	6.0%	5.5%
2021	5.5%	5.0%
2022+	5.0%	5.0%

Minimum Contribution: The CalPERS minimum required contribution is assumed to increase 4% per year.

Dental Trend Rates:

Year	Trend
2019+	3.0%

Cadillac Tax: 2% load on the explicit liability.

Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the “cost” is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee’s date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. As required by GASB 75, the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the Valuation Date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: The actuarial value is equal to the market value of plan assets.

**Retiree Health Plan**  
**GASB 75 Report Fiscal Year Ending June 30, 2018 (Measured at June 30, 2018)**  
**Appendix - Net OPEB Liability and Balances by Group**

As of Measurement Date: June 30, 2018

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
<b>Total (Accrued) OPEB Liability</b>			
Actives	\$ 7,021,013	\$ 48,197,437	\$ 55,218,450
Retirees	4,881,225	54,642,337	59,523,562
<b>Total</b>	<b>\$ 11,902,238</b>	<b>\$ 102,839,774</b>	<b>\$ 114,742,012</b>
<b>Projected Employer Contributions</b>	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>
2019	\$ 471,370	\$ 3,347,790	\$ 3,819,160
2020	507,066	3,630,334	4,137,400
2021	553,068	3,938,798	4,491,866
2022	613,260	4,087,805	4,701,065
2023	652,611	4,360,868	5,013,479
2024	658,179	4,612,082	5,270,261
2025	703,702	4,857,032	5,560,734
2026	726,178	5,112,058	5,838,236
2027	782,243	5,339,537	6,121,779
2028	812,638	5,581,806	6,394,444
	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
<b>Net OPEB Liability</b>			
Total OPEB Liability	\$ 11,902,238	\$ 102,839,774	\$ 114,742,012
Plan fiduciary net position	(620,751)	(11,164,654)	(11,785,405)
<b>Net OPEB Liability</b>	<b>\$ 11,281,487</b>	<b>\$ 91,675,120</b>	<b>\$ 102,956,607</b>
Plan fiduciary net position as a % of the Total OPEB Liability	5.2%	10.9%	10.3%
Covered-employee payroll	\$ 37,635,821	\$ 36,474,374	\$ 74,110,195
Net OPEB Liability as percentage of covered-employee payroll	30.0%	251.3%	138.9%
<b>Deferred (inflows)/outflows balances as of June 30, 2018</b>	<b>Miscellaneous</b>	<b>Safety</b>	<b>Total</b>
Changes of assumptions	(520,770)	(4,231,857)	(4,752,627)
Differences between projected and actual earnings on OPEB plan investments	(1,609)	(13,071)	(14,680)
<b>Total OPEB Liability as of June 30, 2017</b>	<b>\$ 11,830,321</b>	<b>\$ 104,453,477</b>	<b>\$ 116,283,798</b>