

FISCAL PROCEDURES APPROVED
 ROBERT E. BYRD, AUDITOR-CONTROLLER
 10/17/07
 BY: *[Signature]*
 SUSANA GARCIA-BOCANIEGRA

**SUBMITTAL TO THE BOARD OF SUPERVISORS
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Paul McDonnell, Treasurer-Tax Collector
 Chairman, Pension Advisory Review Committee (PARC)

SUBMITTAL DATE:
 September 27, 2007

SUBJECT: Approval of Trust Agreement and Election to Pre-fund Other Post Employment Benefits (OPEB) with the California Public Employees Retirement System (CalPERS)

RECOMMENDED MOTION: That the Board of Supervisors:

- (1) Receive and file Aon's Actuarial Valuation Study on Post Retirement benefits dated August, 20, 2007 (Attachment A)
- (2) Authorize the Chair to execute the following agreements and certifications with CalPERS in order to establish a trust and election to pre-fund OPEB:
 1. California Employer's Retiree Benefit Trust Program Agreement and Election to Pre-fund OPEB Through CalPERS (Attachment B)
 2. Certification of Funding Policy (Attachment C)
 3. Delegation of Authority to Request Disbursements (Attachment D)

[Signature]
 Paul McDonnell
 Treasurer-Tax Collector, Chairman

[Signature]
 Ronald W. Komers
 Asst. CEO/Human Resources Dir., Member

[Signature]
 Bill Luna
 County Finance Director, Member

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 10 million	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 5 million	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ TBD	For Fiscal Year:	07/08

SOURCE OF FUNDS: General fund designation (50%) and Fund 46120 (50%)	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input checked="" type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
 BY: *[Signature]*
 Kenneth M. Mohr
County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
 10-11-07
 DATE
 Departmental Concurrence
 BY: DOROTHY L. HONN

Dept't Recomm.: Consent Policy
 Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: _____ **District:** _____ **Agenda Number:** _____

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- (3) Direct the Executive Office and Human Resources Department to each make a \$5 million deposit (for a total deposit of \$10 million, plus earned interest of approximately \$400,000) to the trust on or before November 30, 2007.
- (4) Direct the Auditor-Controller to make the adjustments to designations and appropriations (Attachment E).
- (5) Direct staff to develop a rate structure for OPEB costs as a percentage of payroll, based on the entry age normal cost method, using a 30-year amortization period and the repayment of the \$10 million advance from the General Fund.

BACKGROUND: In June 2004 the Government Accounting Standards Board (GASB) issued GASB Statement 45 (GASB 25) effective for fiscal years beginning after December 15, 2006. GASB 45 addresses accounting and financial reporting for post-employment benefits other than pensions, referred to as OPEB. GASB 45 requires the County to report OPEB costs on an actuarial basis to account for the future costs of promised benefits. The County incurs OPEB cost because it provides retiree medical benefits for eligible retirees enrolled in County-sponsored plans. The benefit is provided in the form of: monthly County contributions towards retiree premiums, \$25 per month contribution to the RSA Trust for RSA law enforcement retirees, and the "implicit subsidy" incurred by allowing pre-Medicare retirees to receive health care coverage at the same premium rates as active employees.

On September 12, 2006, the Board directed the PARC to explore the options for establishing a trust to pre-fund OPEB liabilities and directed the Executive Office to designate \$10 million for an initial deposit to the trust. Also on September 12, 2006, the Board of Supervisors adopted a policy position that effective January 1, 2011 the County will establish a separate medical rate for all pre-Medicare retirees, thereby ending the "implicit subsidy." Employees whose retirement pre-dates January 1, 2009 will receive the subsidy until January 1, 2011. Employees retiring after January 1, 2009 will receive no subsidy.

The County's independent actuary Bradley J. Au (Aon) has prepared the Post Retirement Benefits Actuarial Valuation Study dated August 20, 2007 (Attachment A). The report was prepared using generally accepted actuarial practices and methods. Actuarial computations such as the Present Value of Benefits (PVB) and the Annual Required Contribution (ARC) have been made for GASB 45 purposes to fulfill the County's accounting requirements. The PVB represents the actuarial present value of all benefits ever to be paid to current employees and retirees for OPEB. The ARC represents the total current OPEB costs to the County for the fiscal year ending June 30, 2008.

The independent actuary's report indicates that as a result of the Board policy position taken on September 12, 2006 to eliminate the "implicit subsidy", the actuarial Present Value of all Benefits (PVB) declined from \$236.7 million to \$93.1 million. The Annual Required Contribution (ARC) declined from \$15.9 million to \$4.3 million since the last valuation report using the 30-year Entry Age Normal Cost Method. The impact of these decisions on medical plan rates was described and illustrated by Human Resources in the Form 11 establishing retiree medical plan rates for 2008, approved by the Board on the October 16, 2007 agenda.

Although GASB 45 does not require pre-funding, the portion of the ARC that is not funded each year accumulates as liability on the County's financial statements. If the County adopts a policy of pre-funding contributions into a trust, such as the CalPERS trust that invests in a mix of assets, it may use a higher discount rate in calculating the magnitude of GASB liabilities. The utilization of a higher discount rate significantly lowers the County's OPEB liability.

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The independent actuary's report compares the PVB results in a scenario where the County does not pre-fund the ARC versus where the County fully pre-funds the ARC, other than the portion attributable to the "implicit subsidy" that will be phased out by 2011. The report shows a reduction of the PVB from \$93.1 million to \$58.7, using 4.50% and 7.24% discount rates, respectively.

In order to take advantage of a higher discount rate and a significantly reduced PVB, the PARC recommends that the County adopt a policy to fully pre-fund the ARC, other than the portion attributable to the "implicit subsidy." The PARC will continue to monitor funding options. It is anticipated that an actuarial valuation will be commissioned annually.

As a first step to funding the OPEB obligation to a trust, a Post Employment Benefits designation in the amount of \$10 million was established in October 2006. The Executive Office and the Human Resources department together identified \$5 million of flexible credit funds accumulated in prior years for individuals that waived healthcare coverage that can be used in place of an equivalent amount of designation. The \$5 million remaining in the OPEB designation can be reallocated later this year to the capital projects designation.

The PARC, having reviewed various trust and funding arrangements, recommends entering into an agreement with the California Employers Retirement Benefits Trust Program (CalPERS Trust). The CalPERS Trust offers several advantages over other trust arrangements including but not limited to CalPERS' experience in operating similar trusts and CalPERS' cost competitiveness.

In order to facilitate pre-funding the ARC and repay the \$10 million General Fund advance, the PARC recommends that the County develop a rate structure for OPEB costs as a percentage of payroll, based on the Entry age Normal Cost Method under a 30 year amortization period used in the valuation report. This new rate structure should be developed in time to be implemented for the 2008/09 fiscal year.



**COUNTY OF RIVERSIDE
POSTRETIREMENT BENEFITS**

Actuarial Valuation Study

Valuation Date:	January 1, 2007
Date of Report:	August 20, 2007

Executive Summary

Background

The County of Riverside provides retiree medical benefits for eligible retirees enrolled in County sponsored plans. The benefits are provided in the form of:

- Monthly County contributions toward the retiree's premium, and
- \$25 per month to the RSA Trust for RSA law enforcement retirees, and
- Allowing pre-65 retirees to receive coverage at the active premium rates instead of normally higher retiree rates. Only participants who retire prior to January 1, 2009 are eligible for this benefit and the benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates.

County Contributions

The County of Riverside makes contributions to eligible retirees for their medical plan premiums when the retiree enrolls in a County sponsored health plan. The current monthly amount paid by the County ranges from \$25 – \$256, depending on the retiree's bargaining unit at retirement. The County provided amounts are detailed in Exhibit VIII and summarized as follows:

- **CalPERS Health Benefits program retirees** (Law Enforcement Management, Prosecution (Deputy DAs), and RSA Public Safety members) are eligible for the greater of the stated Public Employees' Medical and Hospital Care Act (PEMHCA) amounts and the bargaining unit's negotiated amount. The PEMHCA monthly amount of \$80.80 in 2007 grows to \$97.00 in 2008 and increases annually thereafter by Medical CPI. These are the only groups that have inflation-indexed benefits.
- **All other retirees** are eligible for the bargaining unit negotiated amount (i.e. \$25 – \$256). These amounts do not increase in future years to account for inflation.

Note: The County contributes \$25.00 per month to the RSA Benefit Trust for RSA Law Enforcement retirees. Although the Trust is responsible for providing a benefit with a much larger premium, the County is responsible for the \$25.00 monthly contribution and this benefit is included in Plan liabilities.

As described above, the majority of participants are eligible to receive benefits that are fixed at current levels. Only those receiving the PEMHCA benefits are eligible for inflation-indexed benefits. The long term benefit under PEMHCA could be 10 times greater than certain fixed benefit amounts in 25 years, as illustrated in Appendix A.

Executive Summary (cont.)

Implicit Subsidy

The County allows retirees to receive coverage prior to age 65 by paying premiums that are developed by blending active and retiree costs. Since retirees are older and generally cost more than actives, the premium paid by the retiree is less than the "true cost" of coverage for retirees. For example, under the Blue Shield HMO, the estimated "true cost" for retirees is \$610 per month, while the required premium is only \$374 per month in 2007. This implicit subsidy is considered an employer obligation under the new GASB requirements.

The implicit subsidy does not apply to post 65 benefits because premiums are based exclusively on retiree costs. It also does not apply to the CalPERS provided benefits as these premiums are considered "community rated" and, unlike the County's other plan premiums, do not vary due to claims experience or demographic differences of the employer.

The accounting rules do not require recognition of such implicit subsidization in the case of a "community-rated" plan. In this case, as just one of many employers in CalPERS plans, it is assumed that County premiums do not fluctuate on the basis of the number of covered County retirees. Rather, rates are dependent on the proportion of retirees from *all employers* in the plan, and the implied subsidy is not allocated to individual employers at all under the current accounting rules.

In the same respect, the dental and vision benefits offered to the County retirees are not considered to vary by age or demographics. Therefore, because a retiree must pay the entire premium amount to receive dental and vision benefits, there is no liability to the County for providing these benefits.

Only participants who retire prior to January 1, 2009 and are not in the CalPERS plan are eligible for the implicit subsidy benefit. The implicit subsidy benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates.

GASB 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement 45, which addresses accounting and financial reporting for Postemployment Benefits Other Than Pensions (OPEB). This statement replaces and significantly modifies prior guidance. GASB 45 is effective for Phase I governments, including the County of Riverside, for fiscal years beginning after December 15, 2006.

Executive Summary (cont.)

There are several reasons an agency should review its OPEB obligations sooner rather than later, such as:

- Pre-funding alternatives – although funding is not required, an unfunded plan results in higher balance sheet liabilities and costs
- Bargaining issues – recognizing how the obligation will impact the collective bargaining process in the near and long term
- Bond rating – potential impact to the cost of debt due to unfunded liabilities

The liabilities and annual costs for the County's contribution promises to retirees are calculated in this actuarial valuation in accordance with GASB 45. Similar to most government entities, the County has not previously pre-funded or recognized OPEB liability as benefits were accrued. This report assumes the County intends to fully pre-fund the County Contribution, but will not pre-fund the implicit subsidy. As this report shows, any required accrual determined on a GASB basis will be considerably higher than the amount on a pay-as-you-go basis.

It is important to note that only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in the County's employee population are not considered.

ARC Development

GASB requires an Annual Required Contribution (ARC) to be developed each year based on the Plan's assets and liabilities. Although GASB does not actually require prefunding, the portion of the ARC that is not funded each year accumulates as a liability on the County's financial statements.

The ARC can be developed under a variety of funding methods. This report shows results under two of the methods permitted – Aggregate and Entry Age Normal. We also show the ARC calculated using different amortization periods as a level percent of pay.

Summary of Results

Liabilities

There are a few terms to understand related to the Plan's liabilities. The Present Value of Benefits (PVB) represents the actuarial present value of all future benefits expected to be paid to current employees and retirees. The Actuarial Accrued Liability (AAL) is the portion of the PVB attributable to past service. The Normal Cost is the portion of the PVB that is allocated to the current plan year for active employees.

Executive Summary (cont.)

The table below summarizes the liability results:

Present Value of Benefits (PVB)	\$58,757,000
Actuarial Accrued Liability (AAL)	\$48,582,000
Normal Cost	\$1,626,000

The level of liabilities is very dependent on the discount rate used in the calculations, as shown in this summary. The following section discusses discount rate selection.

Discount Rate Selection

The discount rate can have a considerable impact on the magnitude of the liabilities, with lower discount rates resulting in higher liabilities. As guidance in selecting an appropriate discount rate, GASB states that the discount rate should be based on the long-term yield of investments used to finance the benefits.

For an unfunded plan or in the case where contributions are simply allocated to separate accounts, but still reside in general assets, it is appropriate to consider the return on the general County asset pool. However, if the County fully pre-funds contributions into a trust with a mix of asset classes (e.g., CalPERS' retiree health trust fund), a higher rate is more appropriate. This valuation assumes 4.50% and 7.75% rates for the unfunded and pre-funded portion of liability, which represent assumptions for the County asset pool and CalPERS trust fund, respectively. A blended rate is used when partial pre-funding is anticipated.

The County has requested this report based on the assumption that the County contribution is fully pre-funded, but the implicit subsidy is not pre-funded. Since the implicit subsidy will be discontinued after 2011, this results in the use of a blended rate of 7.24% before 2011 and the fully pre-funded rate of 7.75% thereafter.

Annual Required Contributions (ARC)

As discussed above, the ARC can be developed using various methodologies. Selecting an appropriate method and amortization period for funding the liabilities is a balance between the County's ability to pay costs immediately and the long-term cost of borrowing.

Executive Summary (cont.)

The following table summarizes the ARC under the methodologies provided in this report based on the blended discount rates:

Aggregate Method	\$5,620,000
Entry Age Normal Method	
30 year amortization	\$4,390,000
20 year amortization	\$5,158,000
10 year amortization	\$7,575,000

The difference in the cost methods is the period over which past service liabilities are spread. The aggregate method spreads past service liabilities over the future working lifetimes of active participants while the entry age normal method spreads past service liabilities over the specified amortization period. It should be noted that the Entry Age Normal method – level percent of pay is used to determine the ARC for CalPERS retirement plans.

Projected ARC

As discussed in the previous section, the ARC amounts are determined based on a level percent of payroll. Thus, the ARC is expected to increase as payroll increases. The following table illustrates this based on the Entry Age Normal Method with 30 year amortization of the unfunded actuarial accrued liability and further assuming actual contributions are equal to the full ARC each year:

ARC	2007-2008	2008-2009	2009-2010
	\$4,390,000	\$4,533,000	\$4,680,000

Comparison to Prior Valuation Results

The following table compares results to the prior valuation results, where the implicit subsidy was assumed to be ongoing:

	January 1, 2007	January 1, 2006
Liabilities		
Present Value of Benefits (PVB)	\$58,757,000	\$236,728,000
Actuarial Accrued Liability (AAL)	\$48,582,000	\$141,920,000
Normal Cost	\$1,626,000	\$10,264,000
Plan Assets	\$0	\$0
ARC		
Aggregate Method	\$5,620,000	\$19,186,000
Entry Age Normal Method		
30 year amortization	\$4,390,000	\$15,991,000
20 year amortization	\$5,158,000	\$18,377,000
10 year amortization	\$7,575,000	\$25,570,000

Executive Summary (cont.)

The liability and ARC decreased considerably from the prior year, primarily due to the phase out of the implicit subsidy and the expectation of eventually pre-funding the County contribution. Other factors impacting results included:

- Overall healthcare costs increased less than assumed, resulting in liability gains.
- The total number of participants (active and retired) in the groups valued increased, increasing liabilities and annual costs.
- The liabilities, by their nature, grow each year as all participants get closer to receiving benefits and active participants accrue additional benefits.

It should be noted that employee groups from Special Districts (Waste, Parks, and Flood) were not included in the valuation results presented in this report, but will be provided in separate reports. These groups are included in the January 1, 2006 results shown above, although the costs are relatively small.

Implicit Subsidy Effect on Results

The liabilities associated with the implicit subsidy are a notable portion of the total plan liabilities, although they have been reduced considerably due to the phase out of this benefit that will be complete by 2011. The following table shows the breakdown of liabilities by the two main sources:

	County Contributions	Implicit Subsidy	Total
Liabilities			
PVB	\$45,037,000	\$13,720,000	\$58,757,000
AAL	\$34,892,000	\$13,690,000	\$48,582,000
Normal Cost	\$1,595,000	\$31,000	\$1,626,000
Plan Assets	\$0	\$0	\$0
ARC Range *	\$3,580,000	\$810,000	\$4,390,000
	- \$5,868,000	- \$1,707,000	- \$7,575,000

* The ARC range encompasses the variation in results due to the different funding methods and amortization periods.

Effect of Pre-Funding and the Discount Rate Impact

As discussed previously, the discount rate has a considerable impact on the magnitude of liabilities. Although the County is currently anticipating fully pre-funding the liabilities once the implicit subsidy is phased out in 2011, the funding options and funding policy should be continually monitored to assure consistency with the County's overall financial policies.

Executive Summary (cont.)

The following table compares the valuation results to the scenario where the County chooses not to pre-fund (4.50%):

	Valuation Results – 7.24% (until 2010) and 7.75% thereafter	No Pre-Funding (Pay-as-you-go) 4.50%
Liabilities		
Present Value of Benefits (PVB)	\$58,757,000	\$93,188,000
Actuarial Accrued Liability (AAL)	\$48,582,000	\$67,915,000
Normal Cost	\$1,626,000	\$3,074,000
Plan Assets	\$0	\$0
ARC		
Aggregate Method	\$5,620,000	\$7,448,000
Entry Age Normal Method		
30 year amortization	\$4,390,000	\$5,787,000
20 year amortization	\$5,158,000	\$6,918,000
10 year amortization	\$7,575,000	\$10,326,000

The remainder of the report provides details of results based on the blended discount rate scenario 7.24% discount rate until 2010 and 7.75% thereafter.

We understand the County intends to contribute the County Contribution pay-as-you-go amount plus an additional \$10 million in the first year. This is reflected in the GASB Reporting and Disclosure Information section.

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I Actuarial Valuation Certificate

This report presents the results of the actuarial valuation for the County of Riverside Postretirement Medical Benefits as of January 1, 2007 for development of the Annual Required Contribution and disclosure items under the Governmental Accounting Standards Board (GASB) Statement 45.

This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

Aon Consulting did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations for purposes other than meeting Employer financial accounting requirements may be different from these results. As required by GASB 45, this valuation assumes this will be an ongoing plan. However, this assumption does not imply any obligation by the employer to continue the plan.

This report is intended for the sole use of the County of Riverside. It is intended only to supply information for the County to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the County of Riverside should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Consulting.

The actuary whose signature appears below is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuary is available to answer any questions with regard to the matters enumerated in this report.

I Actuarial Valuation Certificate (cont.)

Aon's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Respectfully submitted,



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August 20, 2007

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II Plan Liabilities

The liabilities shown in this exhibit were calculated using a 7.24% discount rate until 2010 and 7.75% thereafter as of the January 1, 2007 valuation date. They are utilized in the development of the Annual Required Contribution (ARC) under various alternatives shown in the following exhibit.

While GASB 45 allows the development of the ARC under various funding cost methods, this report shows the ARC under the Aggregate and Entry Age Normal cost methods, which are based on the following PVB and AAL liabilities, respectively.

The **Present Value of Benefits (PVB)** represents the actuarial present value of all benefits ever to be paid to current employees and retirees. The PVB follows:

(in thousands)	RSA Trust	All Other County Employees	Total
PVB			
<i>County Contribution</i>			
Retirees	\$ 808	\$ 14,361	\$15,169
Actives	1,281	28,587	29,868
Subtotal	2,089	42,948	45,037
<i>Implicit Subsidy</i>			
Retirees	\$ 0	\$ 9,464	\$ 9,464
Actives	0	4,256	4,256
Subtotal	0	13,720	13,720
<i>All Benefits</i>			
Retirees	\$ 808	\$23,825	\$24,633
Actives	1,281	32,843	34,124
Total PVB	2,089	56,668	58,757
Number of Retirees	231	2,137	2,368
Number of Actives	2,201	13,989	16,190
PVB Per Retiree	3.5	11.1	10.4
PVB Per Active	0.6	2.3	2.1

II Plan Liabilities (cont.)

The **Actuarial Accrued Liability (AAL)** is a portion of the PVB attributable to past service. For retirees and fully eligible active employees, the AAL is equal to the PVB. For other active employees, the AAL is the portion of the PVB deemed to be accrued to date. The **Normal Cost** is the portion of the PVB that is allocated to the current plan year for active employees.

The AAL in this report is based on the Entry Age Normal cost method and has been developed by spreading costs as a level percentage of payroll.

(in thousands)	RSA Trust	All Other County Employees	Total
AAL			
<i>County Contribution</i>			
Retirees	\$ 808	\$ 14,361	\$ 15,169
Actives	823	18,900	19,723
Subtotal	1,631	33,261	34,892
<i>Implicit Subsidy</i>			
Retirees	\$ 0	\$ 9,464	\$ 9,464
Actives	0	4,226	4,226
Subtotal	0	13,690	13,690
<i>All Benefits</i>			
Retirees	\$ 808	\$ 23,825	\$ 24,633
Actives	823	23,126	23,949
Total AAL	1,631	46,951	48,582
Number of Retirees	231	2,137	2,368
Number of Actives	2,201	13,989	16,190
AAL Per Retiree	3.5	11.1	10.4
AAL Per Active	0.4	1.7	1.5
Normal Cost			
County Contribution	\$ 57	\$ 1,430	\$ 1,487
Implicit Subsidy	0	29	29
Total Normal Cost	57	1,459	1,516
Normal Cost per Active	0.03	0.10	0.09

III Annual Required Contributions – Total (County Contributions and Implicit Subsidy)

The ARC amounts shown on this page represent the total current costs of postretirement medical benefits to the County under GASB 45 for the fiscal year ending June 30, 2008. This is *not* the same as the “pay-as-you-go” plan cost.

The ARC amounts shown assume payments are made on average in the middle of the year.

Aggregate Cost Method

Under the Aggregate method, the ARC is the amount required to fund the unfunded PVB over the future working lifetime of active participants.

(in thousands)	RSA Trust	All Other County Employees	Total
PVB	\$2,089	\$56,668	\$58,757
Assets	0	0	0
Unfunded PVB	2,089	56,668	58,757
ARC	200	5,420	5,620

Entry Age Normal Cost Method

The Entry Age Normal method is used to develop the County’s CalPERS pension costs. Under this method, the ARC is equal to the Normal Cost plus the amortization of the unfunded AAL over the selected period.

(in thousands)	RSA Trust	All Other County Employees	Total
AAL	\$ 1,631	\$46,951	\$48,582
Assets	0	0	0
Unfunded AAL	1,631	46,951	48,582
Normal Cost, plus interest	61	1,565	1,626
ARC			
30 year amortization	154	4,236	4,390
20 year amortization	180	4,978	5,158
10 year amortization	261	7,314	7,575

IV Annual Required Contribution – County Contribution Only

The ARC amounts shown on this page represent the cost under GASB 45 of the County contribution to retired Members for the fiscal year ending June 30, 2008. This is *not* the same as the “pay-as-you-go” plan cost. The cost of the implicit subsidy is not reflected in the amounts shown below.

The ARC amounts shown assume payments are made on average in the middle of the year.

Aggregate Cost Method

(in thousands)	RSA Trust	All Other County Employees	Total
PVB	\$ 2,089	\$42,948	\$45,037
Assets	0	0	0
Unfunded PVB	2,089	42,948	45,037
<i>ARC</i>	200	4,108	4,308

Entry Age Normal Cost Method

(in thousands)	RSA Trust	All Other County Employees	Total
AAL	\$ 1,631	\$ 33,261	\$ 34,892
Assets	0	0	0
Unfunded AAL	1,631	33,261	34,892
Normal Cost, plus interest	61	1,534	1,595
<i>ARC</i>			
30 year amortization	154	3,426	3,580
20 year amortization	180	3,952	4,132
10 year amortization	261	5,607	5,868

V Projected Benefit Payments

The following table shows the estimated projected net County benefit payments based on the current plan provisions, current plan participants, and the valuation assumptions used in this report. The payments would be equivalent to funding the liabilities on a pay-as-you-go basis.

Fiscal Year	County Contribution	Implicit Subsidy	Total
2007	\$1,583,000	\$3,264,000	\$4,847,000
2008	1,748,000	3,993,000	5,741,000
2009	1,914,000	4,041,000	5,955,000
2010	2,084,000	3,970,000	6,054,000
2011	2,257,000	0	2,257,000
2012	2,440,000	0	2,440,000
2013	2,618,000	0	2,618,000
2014	2,793,000	0	2,793,000
2015	2,967,000	0	2,967,000
2016	3,130,000	0	3,130,000
2017	3,294,000	0	3,294,000
2018	3,455,000	0	3,455,000
2019	3,611,000	0	3,611,000
2020	3,763,000	0	3,763,000
2021	3,910,000	0	3,910,000
2022	4,049,000	0	4,049,000
2023	4,181,000	0	4,181,000
2024	4,307,000	0	4,307,000
2025	4,427,000	0	4,427,000
2026	4,540,000	0	4,540,000
2027	4,648,000	0	4,648,000
2028	4,753,000	0	4,753,000
2029	4,851,000	0	4,851,000
2030	4,944,000	0	4,944,000
2031	5,031,000	0	5,031,000
2032	5,109,000	0	5,109,000
2033	5,177,000	0	5,177,000
2034	5,233,000	0	5,233,000
2035	5,278,000	0	5,278,000
2036	5,307,000	0	5,307,000
2037	5,321,000	0	5,321,000

VI GASB Reporting and Disclosure Information

This report assumes the County adopts GASB 45 for the fiscal year ending June 30, 2008.

GASB 45 requires certain items to be disclosed in the footnotes to the County's financial statements, including the following:

- Plan description
 - Name of plan and identification of the entity that administers plan
 - Brief description of the types of benefits
- Funding policy
 - Required contribution rates of plan members
 - Required contribution rates of employer

In addition, the tables below show required supplementary information to be shown with three years of historical information in the County's financial statements.

Information Assuming Actual Contributions Equal to County Contribution Pay-As-You-Go Amount Plus \$10 million

Sample information is shown for the adoption of GASB 45 for the 2007-2008 fiscal year using the Entry Age Normal Cost method with partially funded liabilities amortized over 30 years.

Development of Net OPEB Obligation (NOO) and Annual OPEB Cost (in thousands)

Fiscal Year	Annual Required Contributions	Actual Contribution	NOO End of Year	Interest on Net OPEB Obligation	Adjustment to the Annual Required Contribution	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
07/08	\$ 4,390	\$ 11,583	\$ (7,193)	\$ 0	\$ 0	\$4,390	7.24-7.75%	3.25%	17.6

Schedule of Funding Progress (in thousands)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	1/1/2007	\$ 0	\$ 48,582	\$ 48,582	0%	N/A	N/A	7.24-7.75%	3.25%

Schedule of Employer Contributions (in thousands)

Fiscal Year Ending:	Annual OPEB Costs	Actual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2008	\$ 4,390	\$ 11,583	264%	\$ (7,193)

VII Participant Information

These exhibit summaries contain participant demographic information.

Active Employee Age/Service Distribution

Age	Years of Service								Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	
<25	794	22							816
25-29	1,467	397	4						1,868
30-34	1,158	837	121	3					2,119
35-39	997	781	353	138	5				2,274
40-44	725	675	301	444	104	5			2,254
45-49	610	724	313	427	249	103	2		2,428
50-54	446	595	263	368	206	148	46	2	2,074
55-59	335	419	207	252	165	103	37	9	1,527
60-64	146	203	101	105	40	28	9	2	634
>65	44	74	26	32	11	3	2	4	196
Total	6,722	4,727	1,689	1,769	780	390	96	17	16,190

Participant Statistics

	RSA Trust	All Other County Employees	Total
<i>Retirees</i>			
Number of retirees	231	2,137	2,368
Number of retiree spouses	185*	416	601
<i>Actives</i>			
Number of actives	2,201	13,989	16,190
Number of active spouses	1,757*	7,589	9,346
Average age	36.58	43.18	42.39
Average past service	7.36	8.08	8.08

*assumed 80% of RSA participants are married.

VII Participant Information (cont.)

Active Participant Benefit Summary

The table below summarizes the number of participants by bargaining units and the benefits valued. As described in the plan summary and actuarial assumptions sections, certain groups are eligible for PEMHCA benefits not shown in this summary.

Union Code	Description	Bargaining Unit (used to determine contribution)	# Records	Monthly County Contribution	CalPERS Retirement program
CNF	Confidential	Confidential	239	\$ 256.00	misc
LEM	Law Enforcement Management	LEMU	364	128.00*	safety
MGT	Management (General)	Management	403	256.00	misc
MLX	Law Enforcement Exec Staff	LE Exec Staff	34	256.00	safety
PR7	Prosecution (Deputy DAs)	DDAA	218	80.80*	misc
RSA	RSA Law Enforcement	RSA	2,201	25.00	safety
RSP	RSA Public Safety	RSA Public Safety	654	80.80*	safety
SE2	SEIU Professional	SEIU	2,361	25.00	misc
SE8	SEIU Registered Nurses	SEIU	722	25.00	misc
SE9	SEIU Para Professional	SEIU	707	25.00	misc
SES	SEIU Supervisory	SEIU	1,322	25.00	misc
UNA	Unrepresented	Confidential	149	256.00	misc
UNC	Unrepresented Confidential	Confidential	215	256.00	misc
UNM	Unrepresented Management	Management	254	256.00	misc
UP4	LIUNA Inspection and Technical	LIUNA	1,348	25.00	misc
UP5	LIUNA Trades, Crafts and Labor	LIUNA	975	25.00	misc
UP6	LIUNA Supporting Services	LIUNA	4,024	25.00	misc
County Total			16,190		

*Law Enforcement Management (LEMU), Prosecution (Deputy DAs), and RSA Public Safety members are eligible to receive the greater of the PEMHCA amount or the bargained amount. Currently, LEMU and Prosecution (Deputy DAs) are above the PEMHCA amount and RSA Public Safety is at the PEMHCA amount.

Special District (Waste, Parks, and Flood) employees are not included in this valuation.

VII Participant Information (cont.)

Retired Participant Benefit Summary

The table below summarizes the number of current retirees receiving various monthly County contribution amounts:

Age	\$25.00	\$50.00	\$80.80	\$128.00	\$256.00	Total
<40	10					10
40-44	16		1			17
45-49	19				2	21
50-54	154	3	6	43	12	218
55-59	313	1	13	80	32	439
60-64	450	2	22	111	18	603
65-69	322		14	71	4	411
70-74	222	2	1	30		255
75-79	117		2	44		163
80-84	104		1	28		133
85-89	54		1	11		66
90-94	22			5		27
95+	3			2		5
Total	1,806	8	61	425	68	2,368

The amounts shown above do not represent benefits being received by retirees under age 65 due to the implicit subsidy.

VIII Summary of Principal Plan Provisions

The following plan provisions are the basis for the calculations in this actuarial valuation.

1. Benefit Eligibility

All employees who retire from active employment after age 50 with 5 years of County service (and are immediately eligible for CalPERS pension benefits) are eligible to participate. Former employees eligible for CalPERS pension benefits but who are not eligible for retirement at termination of employment are not eligible for retiree health benefits.

2. Benefits / Plans Covered

The County provides retirees access to the same medical coverage as active participants. Prior to age 65, the retiree premiums are the same as active premiums and are developed by blending active and retiree costs. The actuarial assumptions exhibit provides details of the premiums and contributions. This benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates. Only participants who retire prior to January 1, 2009 are eligible for this benefit. After age 65, retiree premiums are based exclusively on retiree costs.

In addition, the County contributes a portion of an eligible retiree's medical plan premium under a County sponsored health plan (either at retirement or during a subsequent annual enrollment) for the retiree's lifetime. Contributions are based on bargaining unit at the time of retirement as follows:

<i>Bargaining Unit at Retirement</i>	<i>Monthly Contribution</i>			
	2005	2006	2007	2008
Confidential	\$128.00	\$256.00	\$256.00	\$256.00
LEMU (Management)*	\$128.00	\$128.00	\$128.00	\$128.00
LEMU (Executive Staff)	\$128.00	\$256.00	\$256.00	\$256.00
LIUNA	\$25.00	\$25.00	\$25.00	\$25.00
Management	\$128.00	\$256.00	\$256.00	\$256.00
Prosecution (Deputy DA)*	\$50.00	\$64.60	\$80.80	\$97.00
RSA Law Enforcement	\$25.00	\$25.00	\$25.00	\$25.00
RSA Public Safety*	\$48.40	\$64.60	\$80.80	\$97.00
SEIU	\$25.00	\$25.00	\$25.00	\$25.00
Unrepresented	\$128.00	\$256.00	\$256.00	\$256.00

* Law Enforcement Management (LEMU), Prosecution (Deputy DAs), and RSA Public Safety members are eligible to receive the greater of the PEMHCA amount or the bargained amount. Currently, LEMU is above the PEMHCA amount and Prosecution (Deputy DAs) and RSA Public Safety are at the PEMHCA amount.

After 2008, the PEMHCA amounts increase at the same rate as Medical CPI. See Appendix A for a projection of the monthly PEMHCA contribution amounts.

VIII Summary of Principal Plan Provisions (cont.)

Note: The County contributes \$25.00 per month to the RSA Benefit Trust for RSA Law Enforcement retirees. Although the Trust is responsible for providing a benefit with a much larger premium, the County is responsible for the \$25.00 monthly contribution and this benefit is included in Plan liabilities.

Note: Bargaining unit codes were not available for some of the retirees. Although liabilities for active Court members are not provided in this report, liability for some retired Court members may be included in this report.

3. Survivor Coverage Benefits

Upon the death of the retiree, the eligible surviving spouse receives the same monthly benefit amount for their lifetime.

IX Actuarial Assumptions

1. Actuarial Cost Method

The costs shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under the EAN cost method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The AAL is the cumulative value, on the valuation date, of prior service costs. For retirees, the AAL is the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- Specified amortization period (10, 20, or 30 years are shown)
- Level percentage of future payroll amounts

The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

2. Discount Rate

4.5% for unfunded liabilities; 7.75% for fully pre-funded liabilities – The blended discount rate used in the valuation is 7.24% until 2010, 7.75% thereafter. This is based on the assumption that the plan will pre-fund the county contributions, but not the implicit subsidy.

3. Payroll Increases

3.25% - This is the annual rate at which total payroll is expected to increase and is used in the funding method to calculate the ARC as a level percent of payroll.

IX Actuarial Assumptions (cont.)

4. Mortality

Mortality rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. Sample rates are as follows:

Age	Public Agency Police		CalPERS Miscellaneous	
	Male	Female	Male	Female
30	0.05%	0.03%	0.04%	0.02%
40	0.09%	0.06%	0.08%	0.05%
50	0.18%	0.13%	0.16%	0.10%
60	0.34%	0.26%	0.31%	0.23%
70	2.14%	1.28%	2.14%	1.28%
80	6.99%	3.88%	6.99%	3.88%
90	17.38%	12.59%	17.38%	12.59%

5. Turnover

Turnover rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. The following sample rates are based on age and service:

Public Agency Police

Hire Age	Years of Service						
	0 - 1	5	10	15	20	25	30
30	12.99%	2.97%	2.13%	1.29%	0.22%	0.15%	0.12%
35	12.99%	2.97%	2.13%	0.35%	0.22%	0.15%	0.12%
40	12.99%	2.97%	0.68%	0.35%	0.22%	0.15%	0.12%
45	12.99%	1.10%	0.68%	0.35%	0.22%	0.15%	0.12%
50	12.99%	1.10%	0.68%	0.35%	0.22%	0.15%	0.12%
55	12.99%	1.10%	0.68%	0.35%	0.22%	0.15%	0.12%

CalPERS Miscellaneous

Hire Age	Years of Service						
	0 - 1	5	10	15	20	25	30
30	16.22%	6.27%	4.35%	3.07%	0.41%	0.09%	0.02%
35	15.53%	5.57%	3.66%	0.64%	0.25%	0.02%	0.02%
40	14.83%	4.88%	0.95%	0.46%	0.09%	0.02%	0.02%
45	14.14%	1.55%	0.73%	0.27%	0.02%	0.02%	0.02%
50	13.45%	1.29%	0.51%	0.08%	0.02%	0.02%	0.02%
55	12.75%	1.04%	0.28%	0.03%	0.02%	0.02%	0.02%

IX Actuarial Assumptions (cont.)

6. Disability

Disability rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. Sample rates are as follows:

Age	Public Agency Police		CalPERS Miscellaneous	
	Male	Female	Male	Female
25	0.58%	0.29%	0.02%	0.02%
30	1.16%	0.58%	0.02%	0.04%
35	1.75%	0.87%	0.08%	0.10%
40	6.01%	1.16%	0.15%	0.16%
45	1.45%	1.45%	0.24%	0.23%
50	1.75%	1.75%	0.37%	0.35%
55	5.94%	5.94%	0.49%	0.41%

7. Retirement Age

Retirement rates developed in the 1997-2002 CalPERS Experience Study were used in the valuation. Police 3%@50 rates were used for Safety employees and Miscellaneous 3%@60 rates were used for all other employees. Sample rates are as follows:

Police 3%@50 Male

Attained Age	Years of Service						
	5	10	15	20	25	30	35
50	4.35%	4.35%	4.35%	8.21%	12.08%	15.59%	19.10%
51	3.85%	3.85%	3.85%	7.28%	10.71%	13.82%	16.93%
52	6.14%	6.14%	6.14%	11.59%	17.05%	22.00%	26.95%
53	6.89%	6.89%	6.89%	13.03%	19.16%	24.72%	30.28%
54	7.10%	7.10%	7.10%	13.42%	19.74%	25.47%	31.20%
55	8.98%	8.98%	8.98%	16.98%	24.97%	32.22%	39.47%
56	6.87%	6.87%	6.87%	12.99%	19.10%	24.65%	30.19%
57	8.03%	8.03%	8.03%	15.18%	22.32%	28.80%	35.28%
58	7.91%	7.91%	7.91%	14.95%	21.98%	28.37%	34.75%
59	8.20%	8.20%	8.20%	15.49%	22.79%	29.40%	36.02%
60	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%