County Connection

INTER OFFICE MEMO

To: Administration and Finance Committee

Date: March 26, 2014

From: Kathy Casenave, Director of Finance

Reviewed by:

SUBJECT: OPEB ACTUARIAL VALUATION

Summary of Issues:

The Government Accounting Standards Board (GASB) issued reporting standards that require government entities to recognize and report in their financial statements the present value of future medical benefits that employees have earned, even though the actual payment of the benefits will be over many future periods.

CCCTA was required to comply with this statement (GASB 45) and is required to commission a new actuarial report every two years. The attached report is for FY 2014 and FY 2015.

The report has been prepared by Bickmore Risk Services. Prior reports were prepared by Buck Consultants, but the two actuaries that are most familiar with the Authority are no longer with that firm.

Bickmore Risk Services is a risk management company for public entities and provides a wide variety of services. In fact it provides management services to two insurance pools that County Connection is a member- CalTIP (liability and property) and LAWCX (workers compensation).

The Bickmore actuaries will be available by telephone to review the report with committee members and answer questions.

RECOMMENDATION:

Staff recommends that the A&F Committee approve the OPEB Actuarial Valuation.

March 25, 2014

Ms. Kathy Casenave
Director of Finance
Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

Re: July 1, 2013 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Kathy:

We are pleased to enclose our report providing the results of the July 1, 2013 actuarial valuation of other post-employment benefit (OPEB) liabilities for the Central Contra Costa Transit Authority (the Authority). The report's text describes our analysis and assumptions in detail. *This report should be considered a draft until the Authority has had an opportunity to review and comment. Once any issues have been discussed and resolved, we will issue our final report.*

The primary purposes of the report are to develop the value of future OPEB expected to be provided by the Authority, and the current OPEB liability and the annual OPEB expense to be reported in the Authority's financial statements for the fiscal years ending June 30, 2014 and June 30, 2015.

This valuation was prepared with the understanding that:

- The Authority will continue to follow its previously established policy of prefunding OPEB liabilities through the irrevocable trust account with Public Agency Retirement Services (PARS).
- There have been no changes to benefits since the 2011 valuation was prepared, other than (a) the continued 5% per year phase in of benefits for ATU retirees and (b) updates to the PEMHCA resolutions to add monthly benefit amounts for new CalPERS medical plans available in 2014.
- The Authority confirms that it maintains a pre-tax flexible benefit plan which provides medical benefits for active employees in addition to those provided by the PEMHCA resolutions.

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

Sincerely,

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

Enclosure

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A. Executive Summary

This report presents the results of the July 1, 2013 actuarial valuation of the Central Contra Costa Transit Authority (the Authority) other post-employment benefit (OPEB) programs. Briefly, benefits include subsidized medical coverage for eligible retirees. The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

How much the Authority contributes each year affects the calculation of liabilities. The Authority is prefunding its OPEB obligations by consistently making contributions greater than or equal to the Annual Required Contribution (ARC) each year. Trust assets are currently invested in an account with Public Agency Retirement Services (PARS). At the time the 2011 valuation was prepared, a discount rate of 5.5% was used. PARS confirms that the long term expected rate of return for this fund supports this discount rate and the Authority indicated to Bickmore that no change is planned; accordingly, this valuation was also prepared using a 5.5% discount rate. Use of this rate is not a guarantee of future investment performance, but rather an assumption about the expected long term rate of return.

We calculate the GASB 45 actuarial accrued liability (AAL) to be $5,875,942 and the normal cost to be $227,211 as of July 1, 2013. The Authority reported OPEB trust assets in PARS as of this date of $1,165,830 to offset these liabilities. Thus, the unfunded actuarial accrued liability (UAAL) on July 1, 2013 is $4,710,112, and the funded ratio is 19.8%.

Exhibits presented in this report reflect our understanding that the results of this July 1, 2013 valuation will be applied in determining the Authority's annual OPEB expense for the fiscal years ending June 30, 2014 and 2015. Assuming contributions equal or exceed the ARC each year, the following summarizes results for the fiscal year ending June 30, 2014:

- We calculate the annual required contribution (ARC) to be $462,235.
- Contributions are assumed to equal the ARC. Active employees' contributions are projected to total about $14,000 for this period, and will be used to pay a portion of retiree premiums. We anticipate that the Authority will pay the remainder of retiree premiums during the period and contribute the balance of the ARC to PARS.
- Based on the calculations and contributions described above, we project a net OPEB obligation (NOO) of $3,233 on June 30, 2014. If the Authority would like to reduce the NOO to $0, it could increase its total OPEB contributions from $462,235 to $465,468.

These results are shown in tables beginning on page 11. Projected results for the fiscal year ending June 30, 2015 are also shown in these tables.

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

Executive Summary (Concluded)

While there are some uncertainties about how the prior (July 1, 2011) valuation was prepared, the basic results of this July 1, 2013 valuation compare fairly well with the results of that prior valuation, although the ARC is a bit higher than would be expected by projecting the results of the July 1, 2011 valuation forward two years. We included some discussion of changes in Section E of this report, which begins on page 5.

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

The next valuation is scheduled to be prepared as of July 1, 2015. If there are any significant changes in the employee data, benefits provided or the funding policy, please contact us to discuss whether an earlier valuation is appropriate.

B. Requirements of GASB 45

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

For agencies with 200 or more members covered by or eligible for plan benefits, GASB 45 requires that a valuation be prepared no less frequently than every two years. GASB 45 disclosures include the determination of an annual OPEB cost. For the first year, the annual OPEB cost is equal to the annual required contribution (ARC) as determined by the actuary.

- If the Authority's OPEB contributions equal the ARC each year, the net OPEB obligation will equal $0.
- If the Authority's actual contribution is less than (greater than) the ARC, then a net OPEB obligation (asset) amount is established. In subsequent years, the annual OPEB expense will reflect adjustments made to the net OPEB obligation, in addition to the ARC (see Table 1C).

GASB 45 provides for recognition of payments as contributions if they are made (a) directly to retirees or beneficiaries, (b) to an insurer, e.g., for the payment of premiums, or (c) to an OPEB fund set aside toward the cost of future benefits. Funds set aside for future benefits should be considered contributions to an OPEB plan only if the vehicle established is one that is capable of building assets that are separate from and independent of the control of the employer and legally protected from its creditors. Furthermore, the sole purpose of the assets should be to provide benefits under the plan. These conditions generally require the establishment of a legal trust, such as the Authority's OPEB trust account with PARS. Earmarked assets or reserves may be an important step in financing future benefits, but they may not be recognized as an asset for purposes of reporting under GASB 45.

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

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

C. Sources of OPEB Liabilities

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

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

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

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

Exceptions may exist when the plan is part of a "community-rated" program. Current GASB guidance[2] may allow an agency whose membership is a small portion (in the neighborhood of 1%) of the total coverage of a multiple employer plan to reasonably conclude that any change in their group's mix of retirees and active employees would not affect the premium rates for the plan. In those circumstances, while an implicit subsidy may exist, it is not required to be disclosed.

OPEB Obligations of the Authority

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

- The Authority contributes directly to the cost of retiree medical coverage. These benefits are described in Table 3 and liabilities have been included in this valuation.
- Employees are covered by the CalPERS medical program. The experience of public agency employer membership in this program is community-rated ("OPEB Assumption Model", April 2010) and the Authority's membership in this program is incidental relative to the total number of members covered. As currently permitted by GASB 45, this report does not make age-related premium adjustments or compute an implicit rate subsidy for employees covered under this program.

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

[2] Changes in Actuarial Standard of Practice and a new GASB Statement for reporting of OPEB liabilities are being considered. One possible change would be the elimination of the exception for disclosing the implicit subsidy liability for community rated plans. If implemented, this change would significantly impact the OPEB liability to be reported by the Authority.

D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the Authority in December 2013 and clarified in various related communications. Summaries of that data are provided in Table 2. While the individual employee records have been reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the Authority as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3, based on information supplied to Bickmore by the Authority. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

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

- These present value determinations discount the value of each future expected benefit payment back to the valuation date, using the discount rate. The present value calculations also reflect assumptions for the likelihood that an employee may not continue in service with the Authority to receive benefits.
- For those that do continue in service with the Authority, assumptions are made regarding the probability of retirement at various ages.
- After adjustments for the probabilities of whether and when an employee may retire from the Authority, we then apply an assumption about whether or not the retiree will elect coverage for themselves and/or dependents.
- To the extent an employee is assumed to qualify and elect coverage in retirement, the calculated liability reflects expected trends in the cost of those benefits and the assumptions as to the expected date(s) those benefits will cease.
- These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for 70 years or more.

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

In summary:

Actuarial Accrued Liability	Past Years' Costs	$ 5,875,942
plus Normal Cost	Current Year's Cost	227,211
plus Present Value of Future Normal Costs	Future Years' Costs	1,236,060
equals Present Value of Future Benefits	Total Benefit Costs	$ 7,339,213

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets is applied to offset the AAL. The value of assets invested in the Authority's PARS account on June 30, 2013 was reported to be $1,165,830. The portion of the AAL not covered by assets is referred to as the unfunded actuarial accrued liability (UAAL).

E. Basic Valuation Results

The following chart compares the results of the July 1, 2013 valuation of OPEB liabilities to the results of the July 1, 2011 valuation.

	Prefunding Basis	
Valuation date	**7/1/2011**	**7/1/2013**
Discount rate	5.50%	5.50%
Number of Covered Employees		
Actives	251	233
Retirees	36	38
Total Participants	287	271
Actuarial Present Value of Projected Benefits		
Actives	Not	$ 5,647,516
Retirees	Provided	1,691,697
Total APVPB		7,339,213
Actuarial Accrued Liability (AAL)		
Actives	5,821,345	4,184,245
Retirees	1,500,790	1,691,697
Total AAL	7,322,135	5,875,942
Actuarial Value of Assets	613,708	1,165,830
Unfunded AAL (UAAL)	6,531,977	4,710,112
Normal Cost	126,394	227,211
Benefit Payments		
Actives (in retirement)	-	43,662
Retirees	95,347	129,023
Total	95,347	172,685

The funded ratio (the ratio of the Actuarial Value of Assets divided by the Actuarial Accrued Liability) is 19.8% as of July 1, 2013. Covered payroll as of July 1, 2013 was reported to be $12,017,071. The Unfunded Actuarial Accrued Liability, expressed as a percentage of payroll, is 39.2% as of this date.

Changes Since the Prior Valuation

While Bickmore did not prepare the prior valuation for the Authority, it is generally the case that OPEB liabilities tend to increase over time as active employees get closer to the date their benefits are expected to begin. Due to the uncertainties involved and the long term nature of these projections, the actuary's prior assumptions are likely never to be exactly realized. Nonetheless, it is helpful to review why results might be different than anticipated.

In comparing results shown in the exhibit above, we can see that the Unfunded Actuarial Accrued Liability (UAAL) actually decreased by approximately $1,822,000 over the two year

Basic Valuation Results (Concluded)

period between July 1, 2011 and July 1, 2013. From our review of the 2011 valuation, it appears that the UAAL might reasonably have been expected to increase by about $346,000 from new costs accrued for active employees and the passage of time, offset by expected contributions to the trust and benefits expected to be paid to retirees. The actual UAAL is $2,168,000 *less than expected*, most likely a result of the following:

- A change in the actuarial funding method, to the Entry Age Normal funding method, with the normal cost developed as a level % of payroll, from the Projected Unit credit method. We estimate that this change decreased the UAAL by about $954,000.
- Update to assumptions for mortality, termination and service retirement, based on the most recent CalPERS retirement plan experience study covering Authority employees; the mortality rate changes include a projection of future mortality improvements (i.e., longer life expectancies). We did not specifically quantify these changes, but expect that the addition of the projected mortality improvements would have increased the UAAL somewhat.
- A $430,000 increase in the UAAL, from changes in the expected percentage of future retirees assumed to elect coverage in retirement, now varying by employee group, calendar year of retirement and age (over or under age 65) at the time of retirement;
- A $119,000 increase in the UAAL from including the potential cost of dependent benefits for retirees, reflecting the extension of healthcare coverage of children until age 26, as well as potential earlier benefit commencement due to disability retirement; and
- A minor $4,000 increase in the UAAL from changes in the assumed future increase in medical premium levels.
- While not specifically quantified, it appears there may have been a significant decrease in the UAAL (in the neighborhood of $1,800,000) from favorable plan experience relative to prior assumptions, such as changes in plan members, coverage levels and plans selected and lower-than-expected premium rates for Medicare retirees.

Additional comments: While the UAAL decreased substantially as a result of the combined factors described above, the Annual Required Contributions did not. This appears to be related to three factors:

1. While the new method used in this valuation lowers the UAAL substantially, it increases the normal cost for active employees. Thus, while one component of the ARC was decreased, another component was increased, to some extent offsetting one another.
2. The 2011 valuation did not appear to reflect the discount rate in developing the amortization component of the ARC. The payment would have been about $78,000 higher if calculated as described in the Authority's financial statements.
3. It is unclear whether the 2011 valuation included the liability for years where the required PEMHCA minimum employer contribution (MEC) is projected to exceed the fixed dollar benefit caps for retirees.

F. Funding Policy

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

Determination of the ARC

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

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

The ARCs for the fiscal years ending June 30, 2014 and June 30, 2015 are developed in Table 1B.

Decisions Affecting the Amortization Payment

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

- Prescribes a maximum amortization period of 30 years and requires no minimum amortization period (except 10 years for certain actuarial gains). Immediate full funding of the liability is also permitted, where the expected employer contribution is shown as the interest-adjusted sum of the normal cost and the entire amount of the unfunded accrued liability. Expected contributions in future years are then reduced to the expected normal cost (as a percentage of payroll) plus amortization of any new changes in the unfunded AAL.
- Allows amortization payments to be determined (a) as a level percentage of payroll, designed to increase over time as payroll increases, or (b) as a level dollar amount much like a conventional mortgage, so that this component of the ARC does not increase over time. Where a plan is closed and has no ongoing payroll base, a level percent of payroll basis is not permitted.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).

Funding Policy Illustrated in This Report

For purposes of this draft report, we have assumed that the Authority's prefunding policy includes amortization of the unfunded AAL over a closed 30-year period, with amortization payments determined on a level percent of pay basis.

G. Choice of Actuarial Funding Method and Assumptions

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

Factors Impacting the Selection of Funding Method

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

We believe it is most appropriate for the plan sponsor to adopt a theory of funding and consistently apply the funding method representing that theory. This valuation was prepared using the entry age normal cost method with normal cost determined on a level percent of pay basis. The entry age normal cost method often produces initial contributions between those of the other more common methods and is generally regarded by pension actuaries as the most stable of the funding methods and is one of the most commonly used methods for GASB 45 compliance.

Factors Affecting the Selection of Assumptions

Special considerations apply to the selection of actuarial funding methods and assumptions for the Authority. The actuarial assumptions used in this report were chosen, for the most part, to be the same as the actuarial assumptions used for the most recent actuarial valuations of the retirement plans covering Authority employees. Other assumptions were selected based on demonstrated plan experience and/or our best estimate of expected future experience. Many of these assumptions have been updated since the prior valuation was prepared.

In selecting an appropriate discount rate, GASB states that the discount rate should be based on the expected long-term yield of investments used to finance the benefits. As requested by the Authority, the discount rate used in this valuation is 5.5%. Information received from PARS Investment advisors, regarding the long term expected return of the trust account's portfolio and investment strategy, supports use of this discount rate.

H. Certification

This report presents the results of our actuarial valuation of the other post employment benefits provided by the Central Contra Costa Transit Authority. The purpose of this valuation was to provide the actuarial information required for the Authority's reporting under Statement 45 of the Governmental Accounting Standards Board. The calculations were focused on determining the plan's funded status as of the valuation date, developing the Annual Required Contribution and projecting the Net OPEB Obligations for the years to which this report is expected to be applied.

We certify that this report has been prepared in accordance with our understanding of GASB 45. To the best of our knowledge, the report is complete and accurate, based upon the data and plan provisions provided to us by the Authority. We believe the assumptions and method used are reasonable and appropriate for purposes of the financial reporting required by GASB 45. The results may not be appropriate for other purposes.

Each of the undersigned individuals is a Fellow in the Society of Actuaries and Member of the American Academy of Actuaries who satisfies the Academy Qualification Standards for rendering this opinion.

Signed: March 25, 2014

Catherine L. MacLeod, FSA, EA, MAAA

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

Table 1A
Summary of Valuation Results

The following summarizes the results of our valuation of OPEB liabilities for the Authority calculated under GASB 45 for the fiscal year ending June 30, 2014 as well as projected amounts for the fiscal year ending June 30, 2015.

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

	Prefunding Basis	
Valuation date	**7/1/2013**	
For fiscal year beginning	7/1/2013	7/1/2014
For fiscal year ending	6/30/2014	6/30/2015
Discount rate	5.50%	5.50%
Number of Covered Employees*		
Actives	233	233
Retirees	38	38
Total Participants	271	271
Actuarial Present Value of Projected Benefits		
Actives	$ 5,647,516	$ 5,914,467
Retirees	1,691,697	1,655,717
Total APVPB	7,339,213	7,570,184
Actuarial Accrued Liability (AAL)		
Actives	4,184,245	4,610,424
Retirees	1,691,697	1,655,717
Total AAL	5,875,942	6,266,141
Actuarial Value of Assets	1,165,830	1,519,501
Unfunded AAL (UAAL)	4,710,112	4,746,640
Normal Cost	227,211	234,595
Benefit Payments		
Actives (in retirement)	43,662	87,161
Retirees	129,023	132,155
Total	172,685	219,316

The projected liabilities and costs shown above are inclusive of amounts expected to be funded by future contributions of active employees. These contributions are currently $5 per month per employee. The present value of these expected future active employee contributions is $111,331, or about 2% of the $5,647,516 in Actuarial Present Value of Projected Future Benefits for current active employees.

Table 1B
Calculation of the Annual Required Contribution

The following exhibit calculates the amortization payments and the annual required contribution (ARC) on a prefunding basis for the fiscal years ending June 30, 2014 and June 30, 2015.

	Prefunding Basis	
Fiscal Year End	**6/30/2014**	**6/30/2015**
Funding Policy		
Discount rate	5.50%	5.50%
Amortization method	Level % of Pay	Level % of Pay
Initial amortization period (in years)	30	30
Remaining period (in years)	30	29
Determination of Amortization Payment		
UAAL	$ 4,710,112	$ 4,746,640
Factor	22.3306	21.7954
Payment	210,926	217,781
Annual Required Contribution (ARC)		
Normal Cost	227,211	234,595
Amortization of UAAL	210,926	217,781
Interest to 06/30	24,098	24,881
Total ARC at fiscal year end	462,235	477,257

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

Valuation date	**7/1/2013**	
Fiscal Year End	**6/30/2014**	**6/30/2015**
Projected covered payroll	$ 12,017,071	$ 12,407,626
Normal Cost as a percent of payroll	1.9%	1.9%
ARC as a percent of payroll	3.8%	3.8%
ARC per active ee	1,984	2,048

Table 1C
Expected OPEB Disclosures

The exhibit below develops the annual OPEB expense, estimates the expected OPEB contributions and projects the net OPEB obligation for the fiscal years ending June 30, 2014 and June 30, 2015. The calculations assume the Authority continues to follow the prefunding approach outlined on the prior page.

	Prefunding Basis	
Fiscal Year End	**6/30/2014**	**6/30/2015**
1. Calculation of the Annual OPEB Expense		
a. ARC for current fiscal year	$ 462,235	$ 477,257
b. Interest on Net OPEB Obligation (Asset) at beginning of year	176	178
c. Adjustment to the ARC	(152)	(157)
d. **Annual OPEB Expense (a. + b. + c.)**	462,259	477,278
2. Calculation of Expected Contribution		
a. Estimated payments on behalf of retirees	172,685	219,316
b. Estimated contribution to OPEB trust	289,550	257,941
c. **Total Expected Contribution**	462,235	477,257
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	24	21
Net OPEB Obligation (Asset), beginning of fiscal year	3,209	3,233
Net OPEB Obligation (Asset) at fiscal year end	3,233	3,254

Please note the following with regard to contributions:

- The Total Expected Contribution amounts shown in item 2 above include contributions of about $14,000 expected to be paid by active employees during each fiscal year. Those amounts should be reported in the Authority's financial statements as contributions made toward the annual OPEB expense.
- The expected payments to retirees shown in item 2.a. above are projections and should be replaced with the actual payments in order to determine the portion of the ARC to be contributed to the OPEB trust (item 2.b.).
- Should total contributions (Authority plus active employee contributions) be less than the ARC in either of these years, the next valuation may require use of a lower discount rate for valuing the liabilities
- While not required, the Authority may want to contribute an additional $3,233 for the fiscal year ending June 30, 2014 to reduce the net OPEB obligation to $0 on that date.

Table 2
Summary of Employee Data

The Authority reported 233 active employees; of these, 178 are currently participating in the medical program while 55 employees were waiving coverage as of the valuation date. Age and service information for the reported individuals is provided below:

Distribution of Benefits-Eligible Active Employees								
Current Age	**Years of Service**						**Total**	**Percent**
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25	1						1	0%
25 to 29	1	1	3				5	2%
30 to 34	1	1	5	2			9	4%
35 to 39	3	2	9	8	2		24	10%
40 to 44	3	1	9	6	1	1	21	9%
45 to 49	3		4	11	7	5	30	13%
50 to 54	2		10	8	6	15	41	18%
55 to 59	1		8	8	9	20	46	20%
60 to 64		1	3	9	6	14	33	14%
65 to 69		1	2	2	4	10	19	8%
70 & Up				1		3	4	2%
Total	15	7	53	55	35	68	**233**	**100%**
Percent	6%	3%	23%	24%	15%	29%	**100%**	

(Percentages adjusted to total 100%)

Annual Covered Payroll	$12,017,071
Average Attained Age for Actives	52.1
Average Years of Service	14.5

There are also 38 retirees or their beneficiaries receiving benefits, whose ages are summarized in the chart below.

Retirees by Age		
Current Age	**Number**	**Percent**
Below 50	0	0%
50 to 54	1	3%
55 to 59	3	8%
60 to 64	4	11%
65 to 69	17	45%
70 to 74	4	11%
75 to 79	8	21%
80 & up	1	3%
Total	**38**	**100%**
Average Attained Age for Retirees:		68.9

Table 2- Summary of Employee Data (Concluded)

The chart below summarizes the number of active and retired employees by group:

Actives and Retirees by Group				
		Retired		
Group	Actives	Under age 65	Age 65+	Total
Administration	48	3	13	64
ATU	174	5	15	194
Teamsters	11	0	2	13
Total	**233**	**8**	**30**	**271**

The chart below reconciles the number of actives and retirees included in the July 1, 2011 valuation of the Authority plan with those included in the July 1, 2013 valuation:

Change in Number of Actives and Retirees in the Valuation			
	Actives	Retirees	Total
Number included on July 1, 2011:	251	36	287
Number included on July 1, 2013:	233	38	271
Increase (decrease)	(18)	2	(16)

The charts below and on the following page summarize the plans (and associated caps) chosen by employees in the Administrative, ATU, and Teamsters groups.

Administrative Employees						
Frozen Active & Retiree Caps						
	Single Party Coverage		Two Party Coverage		Family Coverage	
Plan	Caps	Number of Participants	Caps	Number of Participants	Caps	Number of Participants
Anthem HMO Traditional*	$ 494.86		$989.71		$ 1,286.63	
Anthem HMO Select*	270.71		541.42		703.85	
Blue Shield HMO	329.08	5	658.10	2	855.60	
Blue Shield NetValue	329.08	11	658.10	4	855.60	4
Health Net†	119.00		119.00		119.00	
Kaiser	303.56	15	607.12	8	789.26	3
PERS Care	494.86	1	989.71		1,286.63	
PERS Choice	289.98	2	579.96		753.95	
PERS Select	270.71		541.42		703.85	
PORAC†	119.00		119.00		119.00	
Sharp†	119.00		119.00		119.00	
United Healthcare*	303.56		607.12		789.26	
Waiving Coverage		9				
Total		**43**		**14**		**7**

Table 2- Summary of Employee Data (Concluded)

Amalgamated Transit Union (ATU)						
Frozen Active Caps (Retirees receive 65% of caps below in 2014)						
	Single Party Coverage		Two Party Coverage		Family Coverage	
Plan	Caps	Number of Participants	Caps	Number of Participants	Caps	Number of Participants
Anthem HMO Traditional*	$ 374.92		$ 749.83		$ 974.78	
Anthem HMO Select*	233.59		467.18		607.34	
Blue Shield HMO	266.47	8	532.93	4	692.81	
Blue Shield NetValue	266.47	6	532.93	7	692.81	1
Health Net†	119.00		119.00		119.00	
Kaiser	235.34	53	470.67	41	611.87	23
PERS Care	374.92	2	749.83		974.78	
PERS Choice	241.24		482.48	5	627.23	
PERS Select	233.59		467.18		607.34	
PORAC†	119.00		119.00		119.00	
Sharp†	119.00		119.00		119.00	
United Healthcare*	235.34		470.67		611.87	
Waiving Coverage		44				
Total		**113**		**57**		**24**

Teamsters, Local 856						
Frozen Active and Retiree Caps						
	Single Party Coverage		Two Party Coverage		Family Coverage	
Plan	Caps	Number of Participants	Caps	Number of Participants	Caps	Number of Participants
Anthem HMO Traditional*	$ 374.92		$ 749.83		$ 974.78	
Anthem HMO Select*	226.58		453.16		589.11	
Blue Shield HMO	280.29	1	560.57		728.74	
Blue Shield NetValue	280.29		560.57		728.74	2
Health Net†	119.00		119.00		119.00	
Kaiser	254.15	1	508.30	5	660.79	2
PERS Care	374.92		749.83		974.78	
PERS Choice	241.24		482.48		627.23	
PERS Select	226.58		453.16		589.11	
PORAC†	119.00		119.00		119.00	
Sharp†	119.00		119.00		119.00	
United Healthcare*	254.15		508.30		660.79	
Waiving Coverage		2				
Total		**4**		**5**		**4**

* Plan was added to the CalPERS coverage menu in 2014. Authority employees and retirees may have switched to one of these new plans after the valuation data was received.

† Employees who elect one of these plans will receive the PEMHCA minimum employer contribution (MEC), which is $119 in 2014.

Table 3A
Summary of Retiree Benefit Provisions

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

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

Benefits provided: As a PEMHCA employer, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The Authority maintains three resolutions, executed at differing dates, for the Administrative, Amalgamated Transit Union (ATU) and Teamster employee groups, respectively. For each of these groups, the Authority maintains an "unequal" resolution with CalPERS defining the level of the Authority's contribution toward the cost of medical plan premiums.

- Under the unequal resolution, the employer's contribution toward *retiree* medical benefits is determined by multiplying together the following three items: (1) 5% *multiplied by* (2) the number of prior years the employer has been contracted with PEMHCA *multiplied by* (3) the contribution the employer makes toward active employee health benefits.
- Note, however, that the monthly benefit may not be less than the required PEMHCA minimum employer contribution (MEC). The MEC was $115 per month in 2013 and increased to 4119 per month in 2014. If the current benefits are not increased in the future, eventually the MEC will overtake the caps and become the operative benefit.

The Administrative and Teamster groups have each participated in the Authority's unequal resolutions for over 20 years. Therefore, the Authority contributes 100% of the applicable active subsidy to retirees in the Administrative and Teamster groups. The following two charts describe the subsidies provided to Administrative and Teamster retirees, varying by group and CalPERS medical plan:

Administrative Group Active and Retiree Monthly Subsidies by Plan			
Plan	Self	Self + 1	Self + Family
Anthem HMO Traditional	$494.86	$989.71	$1,286.63
Anthem HMO Select	270.71	541.42	703.85
Blue Shield	329.08	658.10	855.60
Blue Shield Advantage	329.08	658.10	855.60
Blue Shield NetValue	329.08	658.10	855.60
Blue Shield NetValue Advantage	329.08	658.10	855.60
Health Net	119.00	119.00	119.00
Kaiser	303.56	607.12	789.26
PERS Care	494.86	989.71	1,286.63
PERS Choice	289.98	579.96	753.95
PERS Select	270.71	541.42	703.85
PORAC	119.00	119.00	119.00
Sharp	119.00	119.00	119.00
United Healthcare	305.56	607.12	789.26

Summary of Retiree Benefit Provisions (Continued)

Teamsters Active and Retiree Monthly Subsidies by Plan			
Plan	Self	Self + 1	Self + Family
Anthem HMO Traditional	$374.92	$749.83	$974.78
Anthem HMO Select	226.58	453.16	589.11
Blue Shield	280.29	560.57	728.74
Blue Shield Advantage	280.29	560.57	728.74
Blue Shield NetValue	280.29	560.57	728.74
Blue Shield NetValue Advantage	280.29	560.57	728.74
Health Net	119.00	119.00	119.00
Kaiser	254.15	508.30	660.79
PERS Care	374.92	749.83	974.78
PERS Choice	241.24	482.48	627.23
PERS Select	226.58	453.16	589.11
PORAC	119.00	119.00	119.00
Sharp	119.00	119.00	119.00
United Healthcare	254.15	508.30	660.79

ATU's unequal resolution was executed in 2002; therefore, ATU has completed only 12 of the 20 year unequal phase-in period as of the valuation date. Thus, in 2013 the Authority contributed 60% of the active ATU subsidies to ATU retirees, which increased to 65% in 2014. Below are the active subsides for ATU employees, varying by plan:

Amalgamated Transit Union (ATU) Active Monthly Subsidies by Plan			
Plan	Self	Self + 1	Self + Family
Anthem HMO Traditional	$374.92	$749.83	$974.78
Anthem HMO Select	233.59	467.18	607.34
Blue Shield	266.47	532.93	692.81
Blue Shield Advantage	266.47	532.93	692.81
Blue Shield NetValue	266.47	532.93	692.81
Blue Shield NetValue Advantage	266.47	532.93	692.81
Health Net	119.00	119.00	119.00
Kaiser	235.34	470.67	611.87
PERS Care	374.92	749.83	974.78
PERS Choice	241.24	482.48	627.23
PERS Select	233.59	467.18	607.34
PORAC	119.00	119.00	119.00
Sharp	119.00	119.00	119.00
United Healthcare	235.34	470.67	611.87

Summary of Retiree Benefit Provisions (Continued)

Current premium rates: The 2014 CalPERS monthly medical plan rates in the Bay Area rate group are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation, but not listed here. The additional CalPERS administration fee is assumed to be separately expensed each year and has not been projected as an OPEB liability in this valuation

Bay Area 2014 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem HMO Select	$ 657.33	$ 1,314.66	$ 1,709.06	$ 341.12	$ 682.24	$ 1,076.64
Anthem HMO Traditional	728.41	1,456.82	1,893.87	341.12	682.24	1,119.29
Blue Shield Access/ Adv HMO	836.59	1,673.18	2,175.13	298.21	596.42	1,098.37
Blue Shield NetValue/ Adv HMO	704.01	1,408.02	1,830.43	298.21	596.42	1,018.83
Kaiser HMO	742.72	1,485.44	1,931.07	294.97	589.94	1,035.57
UnitedHealthcare HMO	764.24	1,528.48	1,987.02	193.33	386.66	845.20
PERS Choice PPO	690.77	1,381.54	1,796.00	307.23	614.46	1,028.92
PERS Select PPO	661.52	1,323.04	1,719.95	307.23	614.46	1,011.37
PERSCare PPO	720.04	1,440.08	1,872.10	327.36	654.72	1,086.74
PORAC Association Plan	634.00	1,186.00	1,507.00	397.00	791.00	1,112.00

Table 3B
General CalPERS Annuitant Eligibility Provisions

The content of this section has been drawn from Section C, Summary of Plan Provisions, of the State of California OPEB Valuation as of June 30, 2012, issued February 2013, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general annuitant and survivor coverage.

<u>Health Care Coverage</u>

Retired Employees

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

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

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

Coordination with Medicare

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

Survivors of an Annuitant

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

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

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

Table 4
Actuarial Methods and Assumptions

Valuation Date	July 1, 2013
Funding Method	Entry Age Normal Cost, level percent of pay[3]
Asset Valuation Method	Market value of assets
Long Term Return on Assets	5.5%
Discount Rate	5.5%
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis
General Inflation Rate	3.0% per year

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

Mortality Before Retirement

Mortality rates in the table below were projected by applying Scale AA on a fully generational basis.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only		
Age	Male	Female
15	0.00045	0.00006
20	0.00047	0.00016
30	0.00053	0.00036
40	0.00087	0.00065
50	0.00176	0.00126
60	0.00395	0.00266
70	0.00914	0.00649
80	0.01527	0.01108

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

Table 4 - Actuarial Methods and Assumptions (Continued)

Mortality After Retirement

Mortality rates in each of the tables below were projected by applying Scale AA on a fully generational basis.

Healthy Lives

Disabled Lives (continued)

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00093	0.00062
50	0.00239	0.00125
60	0.00720	0.00431
70	0.01675	0.01244
80	0.05270	0.03749
90	0.16747	0.12404
100	0.34551	0.31876
110	1.00000	1.00000

Disabled Lives

CalPERS Public Agency Disabled Miscellaneous Post Retirement Mortality		
Age	Male	Female
20	0.00664	0.00478
30	0.00790	0.00512
40	0.01666	0.00674
50	0.01632	0.01245
60	0.02293	0.01628
70	0.03870	0.03019
80	0.08388	0.05555
90	0.21554	0.14949

Termination Rates

For miscellaneous employees: sum of CalPERS Terminated Refund and Terminated Vested rates for miscellaneous employees – Illustrative rates

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

Service Retirement Rates

For miscellaneous employees hired before 1/1/2013: CalPERS Public Agency 2% @ 60 – Illustrative rates

Attained	Years of Service					
Age	5	10	15	20	25	30
50	0.0110	0.0150	0.0180	0.0210	0.0230	0.0260
55	0.0230	0.0320	0.0390	0.0440	0.0490	0.0550
60	0.0620	0.0870	0.1050	0.1190	0.1330	0.1490
65	0.1730	0.2430	0.2960	0.3340	0.3730	0.4180
70	0.1270	0.1780	0.2160	0.2440	0.2730	0.3060
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Table 4 - Actuarial Methods and Assumptions (Continued)

Service Retirement Rates (Concluded)

For miscellaneous employees hired on or after 1/1/2013:
CalPERS Public Agency 2% @ 62 – Illustrative rates

Attained Age	Years of Service					
	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0440	0.0560	0.0680	0.0800	0.0920	0.1040
60	0.0616	0.0784	0.0952	0.1120	0.1288	0.1456
65	0.1287	0.1638	0.1989	0.2340	0.2691	0.3042
70	0.1254	0.1596	0.1938	0.2280	0.2622	0.2964
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

Illustrative rates:

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

Healthcare Trend Rate

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

Effective Jan 1	Premium Increase	Effective Jan 1	Premium Increase
2014	Actual	2020	6.00%
2015	8.50%	2021	5.50%
2016	8.00%	2022	5.00%
2017	7.50%	2023	4.50%
2018	7.00%	2024	4.50%
2019	6.50%	2025 & later	4.64%

Employer Cost Sharing

Where the Authority contribution is defined as (or based on) as a fixed dollar amount, we have assumed no increase in the fixed dollar amount(s).

Table 4 - Actuarial Methods and Assumptions (Continued)

Participation Rate

Active participants: The following chart shows the percent of current active employees who are assumed to elect medical coverage in retirement:

Percent of Current Active Employees Assumed to Elect Medical Coverage in Retirement				
Group	Age at Retirement	With Medical Coverage & Retiring in 2014	Annual Decrease in Percent Electing Coverage	Minimum Percent Electing
Admin	Under 65	80%	2.0%	45%
Admin	65 or older	100%	1.5%	60%
ATU	Under 65	65%	2.0% *	45%
ATU	65 or older	80%	1.5% *	60%
Teamster	Under 65	75%	2.0%	45%
Teamster	65 or older	100%	1.5%	60%

* Decreased election percents for future ATU retirees are assumed to begin in 2020, since the retiree benefit level gradually increases until then.

The applicable percentages above are multiplied by .75 to arrive at the percentages for future retirees currently waiving medical coverage through CCCTA.

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

Spouse Coverage

Active employees: 85% are assumed to be married at retirement and 70% of married employees are assumed to elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives.

Retired participants: Existing elections for spouse coverage are assumed to be maintained until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Dependent Coverage

Active employees: 30% are assumed to cover dependents other than a spouse under age 26 at retirement; eligibility for coverage for the youngest dependent is assumed to end at the retiree's age 63.

Retired participants covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26.

Table 4 - Actuarial Methods and Assumptions (Concluded)

Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Changes Since the Prior Valuation:

Demographic assumptions	Rates of assumed mortality, termination, disability and retirement rates were updated from those provided in the CalPERS 2002 experience study to those developed from the CalPERS 2007 experience study. Explicit costs for potential disability benefits were included.
Mortality	Future improvement in mortality rates was projected by applying Scale AA on a fully generational basis to the rates published in the 1997-2007 CalPERS Experience Study.
Healthcare trend	Medical plan premiums are assumed to increase at slightly higher rates than were assumed in the prior valuation. The required PEMHCA minimum employer contribution (MEC) is assumed to increase at a constant 4.5% rate rather than what may have been a decreasing rate table with an ultimate 5% rate. (This assumes a minimum of the MEC was taken into account in the prior valuation; we are not sure that it was.)
Dependent Coverage	Due to more favorable and longer eligibility for dependent children, this valuation includes projected OPEB costs for dependents of current (and future) retirees.
Spouse Coverage	The percentage of married active employees who are assumed to elect coverage for their spouse in retirement was increased slightly to 59.5% (i.e., 85% are married and 70% of married retirees elect to cover their spouse), from 56%.
Participation Rate	The assumed percentage of active employees assumed to elect medical coverage in retirement was modified from flat percentages (80% for Administration and Teamsters and 50% for ATU) to the percentages described in the table in the Participation Rate section above.

Table 5
Projected Benefit Payments

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

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

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

Projected Annual Benefit Payments			
Fiscal Year Ending June 30	Current Retirees	Future Retirees	Total
2014	$ 129,023	$ 43,662	$ 172,685
2015	132,155	87,161	219,316
2016	134,540	129,325	263,865
2017	136,128	170,317	306,445
2018	137,332	212,479	349,811
2019	138,131	251,628	389,759
2020	138,498	288,697	427,195
2021	136,128	326,009	462,137
2022	135,367	364,144	499,511
2023	130,701	388,546	519,247

Appendix 1A
Breakout of Valuation Results by Group
Fiscal Year Ending June 30, 2014

The chart below breaks out the valuation results for 3 employee groups for the fiscal year ending June 30, 2014. Amortization of the unfunded actuarial accrued liability is on the same basis as described in Section F and in Table 1B.

	Admin	ATU	Teamsters	Total
Approach	Prefunding Basis			
Interest Rate	5.50%	5.50%	5.50%	5.50%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	30	30	30	30
Number of Covered Employees				
Actives	48	174	11	233
Retirees	16	20	2	38
Total Participants	64	194	13	271
Actuarial Present Value of Projected Benefits				
Actives	$ 1,507,223	$ 3,787,268	$ 353,025	$ 5,647,516
Retirees	740,669	840,088	110,940	1,691,697
Total APVPB	2,247,892	4,627,356	463,965	7,339,213
Actuarial Accrued Liability				
Actives	1,119,153	2,796,983	268,109	4,184,245
Retirees	740,669	840,088	110,940	1,691,697
Total AAL	1,859,822	3,637,071	379,049	5,875,942
Actuarial Value of Assets	369,002	721,622	75,206	1,165,830
Unfunded Actuarial Accrued Liability	1,490,820	2,915,449	303,843	4,710,112
Amortization Factor	22.3306	22.3306	22.3306	22.3306
Annual Required Contribution (ARC)				
Normal Cost	65,830	145,108	16,273	227,211
Amortization of UAAL	66,761	130,558	13,607	210,926
Interest to 6/30/2014	7,293	15,162	1,643	24,098
ARC for Fiscal Year End 6/30/2014	139,884	290,828	31,523	462,235
1. Calculation of the Annual OPEB Expense				
a. ARC for current fiscal year	139,884	290,828	31,523	462,235
b. Interest on Net OPEB Obligation (Asset) at beginning of year	56	109	11	176
c. Adjustment to the ARC	(48)	(94)	(10)	(152)
d. **Annual OPEB Expense (a. + b. + c.)**	139,892	290,843	31,524	462,259
2. Calculation of Expected Contribution				
a. Estimated payments on behalf of retirees	85,032	74,633	13,020	172,685
b. Estimated contribution to OPEB trust	54,852	216,195	18,503	289,550
c. **Total Expected Employer Contribution**	139,884	290,828	31,523	462,235
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	8	15	1	24
Net OPEB Obligation (Asset), beginning of fiscal year	1,016	1,986	207	3,209
Net OPEB Obligation (Asset) at fiscal year end	1,024	2,001	208	3,233

Appendix 1B
Breakout of Valuation Results by Group
Fiscal Year Ending June 30, 2015

The chart below breaks out the valuation results for 3 employee groups for the fiscal year ending June 30, 2015. Amortization of the unfunded actuarial accrued liability is on the same basis as described in Section F and in Table 1B.

	Admin	ATU	Teamsters	Total
Approach	Prefunding Basis			
Interest Rate	5.50%	5.50%	5.50%	5.50%
Amortization method	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Remaining amortization period (in years)	29	29	29	29
Number of Covered Employees				
Actives	48	174	11	233
Retirees	16	20	2	38
Total Participants	64	194	13	271
Actuarial Present Value of Projected Benefits				
Actives	$ 1,573,056	$ 3,972,841	$ 368,570	$ 5,914,467
Retirees	713,438	834,386	107,893	1,655,717
Total APVPB	2,286,494	4,807,227	476,463	7,570,184
Actuarial Accrued Liability				
Actives	1,233,093	3,081,179	296,152	4,610,424
Retirees	713,438	834,386	107,893	1,655,717
Total AAL	1,946,531	3,915,565	404,045	6,266,141
Actuarial Value of Assets	472,022	949,501	97,978	1,519,501
Unfunded Actuarial Accrued Liability	1,474,509	2,966,064	306,067	4,746,640
Amortization Factor	21.7954	21.7954	21.7954	21.7954
Annual Required Contribution (ARC)				
Normal Cost	67,969	149,824	16,802	234,595
Amortization of UAAL	67,652	136,086	14,043	217,781
Interest to 6/30/2015	7,459	15,726	1,696	24,881
ARC for Fiscal Year End 6/30/2015	143,080	301,636	32,541	477,257
1. Calculation of the Annual OPEB Expense				
a. ARC for current fiscal year	143,080	301,636	32,541	477,257
b. Interest on Net OPEB Obligation (Asset) at beginning of year	56	111	11	178
c. Adjustment to the ARC	(50)	(97)	(10)	(157)
d. **Annual OPEB Expense (a. + b. + c.)**	143,086	301,650	32,542	477,278
2. Calculation of Expected Contribution				
a. Estimated payments on behalf of retirees	102,622	99,938	16,756	219,316
b. Estimated contribution to OPEB trust	40,458	201,698	15,785	257,941
c. **Total Expected Employer Contribution**	143,080	301,636	32,541	477,257
3. Change in Net OPEB Obligation *(1.d. minus 2.c.)*	6	14	1	21
Net OPEB Obligation (Asset), beginning of fiscal year	1,024	2,001	208	3,233
Net OPEB Obligation (Asset) at fiscal year end	1,030	2,015	209	3,254

Appendix 2
OPEB Disclosure Information

The Information necessary to complete the OPEB footnote in the Authority's financial reports is summarized below, or we note the location of the information contained elsewhere in this report:

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	$ -	$ 4,534,658	$ 4,534,658	0%	$ 15,219,990	29.79%
7/1/2011	$ 790,158	$ 7,322,135	$ 6,531,977	11%	$ 13,510,453	48.35%
7/1/2013	$ 1,165,830	$ 5,875,942	$ 4,710,112	20%	$ 12,017,071	39.20%

Required Supplementary Information: Three Year History of Amounts Funded
See chart below:

OPEB Cost Contributed

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2011	$ 233,920	$ 233,307	100%	$ 11,963
6/30/2012	$ 343,593	$ 352,347	103%	$ 3,209
6/30/2013	$ 343,984	$ 343,984	100%	$ 3,209
6/30/2014	*$ 462,259*	*$ 462,235*	*100%*	*$ 3,233*
6/30/2015	*$ 477,278*	*$ 477,257*	*100%*	*$ 3,254*

Italicized values above are estimates which may change if contributions are other than projected.

Glossary

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

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

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

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

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

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

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

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

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

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

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

Glossary (Continued)

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

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

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

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

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

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

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

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

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

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

Glossary
(Concluded)

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

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

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

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

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

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

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