



BARTEL
ASSOCIATES, LLC

**CITY OF REEDLEY
RETIREE HEALTHCARE PLAN**

**June 30, 2013 GASB 45 Actuarial Valuation
Final Results**

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Bartel Associates, LLC

August 12, 2014

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BENEFIT SUMMARY

| | |
|---------------|---|
| ■ Eligibility | ■ Retire directly from the City under CalPERS with 10 years City service <ul style="list-style-type: none">• 10 years not required for active with Tier 1 benefits;• Future disability retirements assumed to require 10 years City service |
| ■ Tiers | ■ Tier 1: <ul style="list-style-type: none">• Current retirees and;• Current actives \geq age 50 at retirement and retiring < 2017 ■ Tier 2: <ul style="list-style-type: none">• Current actives \geq age 50 at retirement and retiring \geq 2017 ■ Tier 3: <ul style="list-style-type: none">• Current actives hired or first becoming full time \geq 1/1/14 (not eligible for any City-paid retiree medical benefits) |



BENEFIT SUMMARY

| | |
|-----------------------------|---|
| ■ Benefits Effective 1/1/14 | ■ Retiree pre-Medicare benefit: <ul style="list-style-type: none">• Tier 1: Up to active contribution¹• Tier 2 with 10 years City service: Smaller of 50% of retiree premium or active contribution• Tier 2 with 20 years City service: Smaller of 80% of retiree premium or active contribution ■ Dependent pre-Medicare benefit: <ul style="list-style-type: none">• Tier 1: Up to \$500 per month total for all dependents• Tier 2: Up to \$250 per month for only one dependent ■ Retiree and one dependent post-Medicare benefit: <ul style="list-style-type: none">• Tier 1: 100% of City Medicare Supplement premium (less \$10 per month if outside of City plans: "Freedom of Choice")• Tier 2 with 10 years City service: Smaller of 50% of City Medicare Supplement premium or active contribution• Tier 2 with 20 years City service: Smaller of 80% of City Medicare Supplement premium or active contribution |
|-----------------------------|---|

¹ \$533.14, \$1,065.29, & \$1,384.78 for single, 2-party, & family coverage, respectively in 2014.

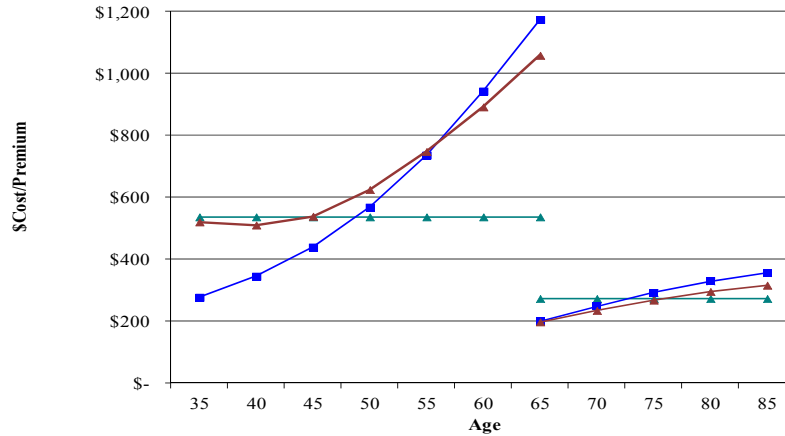


BENEFIT SUMMARY

- Other OPEB
- No City contribution for retiree dental, vision, life insurance, or Medicare Part B reimbursement

- Implied Subsidy
- Employer cost for allowing retirees to participate at active premium rates
- Active employee premiums subsidize retiree cost

SJVIA Anthem HMO Plan - Single Coverage



- GASB 45 includes active “implied subsidy” with retiree cost
- Implied subsidy for Medicare premiums valued separately



BENEFIT SUMMARY

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PREMIUMS

Monthly Active & Pre-65 Retiree Premiums²

| Medical Plan | 2014 | | |
|------------------|----------|------------|------------|
| | Single | 2-Party | Family |
| SJVIA Anthem HMO | \$515.74 | \$1,030.48 | \$1,339.53 |
| SJVIA Anthem PPO | 550.54 | 1,100.09 | 1,430.02 |
| SJVIA Kaiser HMO | 616.79 | 1,218.65 | 1,578.90 |

² Effective January 1st, 2014.



PREMIUMS

Monthly Post-65 Retiree Premiums³

| Medical Plan | 2014 | | |
|--------------------------------|----------|----------|------------|
| | Single | 2-Party | Family |
| Humana and SJVIA Anthem HMO | \$261.76 | \$523.52 | \$1,039.26 |
| Humana and SJVIA Anthem PPO | 261.76 | 523.52 | 1,074.06 |
| Humana and SJVIA Kaiser HMO | 261.76 | 523.52 | 1,140.31 |
| Freedom of Choice ³ | 251.76 | 503.52 | n/a |

³ Effective January 1st, 2014.

³ City's Contribution.



PARTICIPANT STATISTICS

Participant Statistics - Actives

| | Miscellaneous | Fire | Police | Total |
|------------------------|---------------|----------|----------|----------|
| ■ Count | 83 | 2 | 28 | 113 |
| ■ Average: | | | | |
| • Age | 44.7 | 49.5 | 35.0 | 42.4 |
| • City Service | 10.0 | 5.3 | 7.4 | 9.2 |
| • Entry Age | 34.7 | 44.2 | 27.6 | 33.2 |
| • Salary | \$46,400 | \$87,900 | \$63,800 | \$51,400 |
| ■ Total Salary (000's) | 3,847 | 176 | 1,786 | 5,809 |



PARTICIPANT STATISTICS

Participant Statistics - Actives

| | Potential Tier 1 | Tier 2 | Tier 3 | Total |
|------------------------|------------------|----------|--------|----------|
| ■ Count | 45 | 68 | - | 113 |
| ■ Average: | | | | |
| • Age | 54.8 | 34.1 | - | 42.4 |
| • City Service | 14.8 | 5.6 | - | 9.2 |
| • Entry Age | 40.0 | 28.5 | - | 33.2 |
| • Salary | \$48,000 | \$53,600 | - | \$51,400 |
| ■ Total Salary (000's) | 2,164 | 3,645 | - | 5,809 |



PARTICIPANT STATISTICS

Participant Statistics – Retirees (All Tier 1)

| | Miscellaneous | Fire | Police | Total |
|---------------------------|---------------|----------|----------|----------|
| ■ Count | | | | |
| • Retired | 20 | - | 2 | 22 |
| • Disabled | - | - | 7 | 7 |
| • Survivor | <u>3</u> | <u>-</u> | <u>-</u> | <u>3</u> |
| • Total | 23 | - | 9 | 32 |
| ■ Average: | | | | |
| • Age | 71.9 | N/A | 55.5 | 67.3 |
| • Service Retirement Age | 61.6 | N/A | 56.4 | 61.1 |
| • Disabled Retirement Age | - | N/A | 41.8 | 41.8 |



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

| June 30, 2013 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------|--|----------------------|---------------------|-----------------|------|-----------------|--|------|-----------------|--|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|------|------|
| ■ Valuation Date | ■ June 30, 2013 ■ Fiscal Years 2013/14, 2014/15 & 2015/16 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Funding Policy | ■ No pre-funding | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ General Inflation | ■ 3.00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Discount Rate | ■ 4.00% ■ 7.25% (sensitivity for funding) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Medical Trend | <table border="0"> <thead> <tr> <th><u>Calendar Year</u></th> <th><u>Non-Medicare</u></th> <th><u>Medicare</u></th> </tr> </thead> <tbody> <tr> <td>2013</td> <td align="center" colspan="2">Premiums/Claims</td> </tr> <tr> <td>2014</td> <td align="center" colspan="2">Premiums/Claims</td> </tr> <tr> <td>2015</td> <td align="center">8.0%</td> <td align="center">8.3%</td> </tr> <tr> <td>2016</td> <td align="center">7.5%</td> <td align="center">7.8%</td> </tr> <tr> <td>2017</td> <td align="center">7.0%</td> <td align="center">7.2%</td> </tr> <tr> <td>2018</td> <td align="center">6.5%</td> <td align="center">6.7%</td> </tr> <tr> <td>2019</td> <td align="center">6.0%</td> <td align="center">6.1%</td> </tr> <tr> <td>2020</td> <td align="center">5.5%</td> <td align="center">5.6%</td> </tr> <tr> <td>2021+</td> <td align="center">5.0%</td> <td align="center">5.0%</td> </tr> </tbody> </table> | <u>Calendar Year</u> | <u>Non-Medicare</u> | <u>Medicare</u> | 2013 | Premiums/Claims | | 2014 | Premiums/Claims | | 2015 | 8.0% | 8.3% | 2016 | 7.5% | 7.8% | 2017 | 7.0% | 7.2% | 2018 | 6.5% | 6.7% | 2019 | 6.0% | 6.1% | 2020 | 5.5% | 5.6% | 2021+ | 5.0% | 5.0% |
| <u>Calendar Year</u> | <u>Non-Medicare</u> | <u>Medicare</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013 | Premiums/Claims | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014 | Premiums/Claims | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015 | 8.0% | 8.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016 | 7.5% | 7.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017 | 7.0% | 7.2% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2018 | 6.5% | 6.7% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2019 | 6.0% | 6.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2020 | 5.5% | 5.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2021+ | 5.0% | 5.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Cap Increases | ■ Unrepresented active employee contribution: medical trend ■ Dollar caps for Dependents: 3.00% (0.00% sensitivity) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS HIGHLIGHTS

| | June 30, 2013 Valuation | | | | | | | | | | | | |
|--|--|----------------|-----------------|-------------|---------------|-------------|---------------|---------------|---------------|-----------|-----------------|----------------|-----------------|
| <ul style="list-style-type: none"> ■ Retirement, Mortality, Termination, Disability | <ul style="list-style-type: none"> ■ CalPERS 1997-2011 Experience Study⁴ <table style="margin-left: 20px; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Misc</u></th> <th style="text-align: center;"><u>Fire</u></th> <th style="text-align: center;"><u>Police</u></th> </tr> </thead> <tbody> <tr> <td>Classic ERA</td> <td style="text-align: center;">2%@55 ≈ 60</td> <td style="text-align: center;">3%@55 ≈ 61</td> <td style="text-align: center;">3%@55 ≈ 56</td> </tr> <tr> <td>PEPRA ERA</td> <td style="text-align: center;">2.5%@67 ≈ 61</td> <td style="text-align: center;">2.7%@57 n/a</td> <td style="text-align: center;">2.7%@57 ≈ 58</td> </tr> </tbody> </table> ■ Scale AA future mortality improvement | | <u>Misc</u> | <u>Fire</u> | <u>Police</u> | Classic ERA | 2%@55 ≈ 60 | 3%@55 ≈ 61 | 3%@55 ≈ 56 | PEPRA ERA | 2.5%@67 ≈ 61 | 2.7%@57 n/a | 2.7%@57 ≈ 58 |
| | <u>Misc</u> | <u>Fire</u> | <u>Police</u> | | | | | | | | | | |
| Classic ERA | 2%@55 ≈ 60 | 3%@55 ≈ 61 | 3%@55 ≈ 56 | | | | | | | | | | |
| PEPRA ERA | 2.5%@67 ≈ 61 | 2.7%@57 n/a | 2.7%@57 ≈ 58 | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Participation at Retirement | <ul style="list-style-type: none"> ■ Currently covered actives: 90% ■ Currently waived actives: 80% | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Medical Plan at Retirement | <ul style="list-style-type: none"> ■ Currently covered actives: Same as current elections ■ Currently waived actives: Anthem HMO | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Waived Retiree Re-Elections | <ul style="list-style-type: none"> ■ None | | | | | | | | | | | | |

⁴ PEPRA formulas effective for new members hired into the CalPERS system after 1/1/13.



ACTUARIAL METHODS

| Method | June 30, 2013 Valuation |
|---|--|
| <ul style="list-style-type: none"> ■ Cost Method | <ul style="list-style-type: none"> ■ Entry Age Normal |
| <ul style="list-style-type: none"> ■ Amortization Method | <ul style="list-style-type: none"> ■ Level dollar (frozen plan) |
| <ul style="list-style-type: none"> ■ Unfunded Liability Amortization | <ul style="list-style-type: none"> ■ 30 years (closed period) fresh start on 6/30/13 UAAL ■ 15 years (closed period) for method, assumption, and plan changes, and gains and losses ■ Maximum 30-year combined period |
| <ul style="list-style-type: none"> ■ Actuarial Value of Assets | <ul style="list-style-type: none"> ■ Not funding |



RESULTS

Actuarial Obligations

June 30, 2013

(Amounts in 000's)

| | |
|--------------------------------------|--------------|
| ■ Present Value of Benefits | |
| • Actives | \$ 19,165 |
| • Retirees | <u>5,933</u> |
| • Total | 25,098 |
| ■ Actuarial Accrued Liability | |
| • Actives | 8,491 |
| • Retirees | <u>5,933</u> |
| • Total | 14,424 |
| ■ Actuarial Value of Assets | <u>-</u> |
| ■ Unfunded AAL | 14,424 |
| ■ Normal Cost for FY | 907 |
| ■ Pay-As-You-Go Cost – Cash | 113 |
| ■ Pay-As-You-Go Cost – IS | 23 |



RESULTS

Annual Required Contribution (ARC)

(Amounts in 000's)

| | 2013/14 | 2014/15 | 2015/16 |
|------------------------------------|----------------|----------------|----------------|
| ■ ARC - \$ | | | |
| • Normal Cost | \$ 907 | \$ 891 | \$ 876 |
| • UAAL Amortization | <u>834</u> | <u>978</u> | <u>1,116</u> |
| • Total | 1,741 | 1,869 | 1,992 |
| ■ Projected Covered Payroll | 5,809 | 5,707 | 5,609 |
| ■ ARC - % Covered Pay | | | |
| • Normal Cost | 15.6% | 15.6% | 15.6% |
| • UAAL Amortization | <u>14.4%</u> | <u>17.1%</u> | <u>19.9%</u> |
| • Total | 30.0% | 32.8% | 35.5% |



RESULTS

Amortization Bases

(Amounts in 000's)

| | 6/30/13 | 6/30/14 | 6/30/15 |
|------------------------------|----------------|----------------|----------------|
| ■ Outstanding Balance | | | |
| • Initial UAAL | \$ 14,424 | \$ 14,167 | \$ 13,899 |
| • Contributions < ARC | <u> -</u> | <u> 1,605</u> | <u> 3,055</u> |
| • Total | 14,424 | 15,772 | 16,954 |



RESULTS

Amortization Payments

(Amounts in 000's)

| | 2013/14 | 2014/15 | 2015/16 |
|---------------------------------------|----------------|----------------|----------------|
| ■ Amortization Payment | | | |
| • Initial UAAL | \$ 834 | \$ 834 | \$ 834 |
| • Contributions < ARC ⁵ | <u> -</u> | <u> 144</u> | <u> 282</u> |
| • Total | 834 | 978 | 1,116 |
| • Average Amortization Period - years | 30 | 26 | 24 |

⁵ Amortized over closed 15-year period beginning on initial recognition



RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in 000's)

| | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 |
|---|---------------------|---------------------|---------------------|
| ■ NOO at Beginning of Year | \$ - | \$ 1,605 | \$ 3,055 |
| ■ Annual OPEB Cost | | | |
| • Annual Required Contribution | 1,741 | 1,869 | 1,992 |
| • Interest on NOO | - | 58 | 114 |
| • NOO Adjustment | - | (144) | (282) |
| • Annual OPEB Cost | 1,741 | 1,783 | 1,824 |
| ■ Contributions | | | |
| • Benefit Paym. Outside Trust ⁶ - Cash | 113 ⁷ | 262 | 307 |
| • Benefit Paym. Outside Trust - IS | 23 | 71 | 95 |
| • Trust Funding | - | - | - |
| • Total Contributions | 136 | 333 | 402 |
| ■ NOO at End of Year | 1,605 | 3,055 | 4,477 |

⁶ Estimated cash payments shown. Actual total benefit payments should be used for OPEB footnote.

⁷ Estimated 1/1/14 to 6/30/14.



RESULTS

10-Year Projection Illustration

(Amounts in 000's)

| Fiscal Year End | Begin Year NOO | ARC | Annual OPEB Cost (AOC) | Contribution (Benefit Payments) | | | | Cov'd Pay | ARC % of Cov'd Payroll | Contrib % of Cov'd Payroll |
|-----------------------|----------------------|----------|---------------------------------|------------------------------------|----------|--------------|-----------------|--------------|---------------------------------|-------------------------------------|
| | | | | Cash BP | IS BP | Pre- Fund | Total Contr. | | | |
| 2014 | \$ - | \$ 1,741 | \$ 1,741 | \$ 113 | \$ 23 | \$ - | \$ 136 | \$ 5,809 | 30.0% | 2.3% |
| 2015 | 1,605 | 1,869 | 1,783 | 262 | 71 | - | 333 | 5,707 | 32.7% | 5.8% |
| 2016 | 3,055 | 1,992 | 1,824 | 307 | 95 | - | 402 | 5,609 | 35.5% | 7.2% |
| 2017 | 4,477 | 2,119 | 1,865 | 349 | 113 | - | 462 | 5,517 | 38.4% | 8.4% |
| 2018 | 5,880 | 2,254 | 1,906 | 384 | 132 | - | 516 | 5,427 | 41.5% | 9.5% |
| 2019 | 7,270 | 2,397 | 1,946 | 414 | 156 | - | 570 | 5,335 | 44.9% | 10.7% |
| 2020 | 8,647 | 2,546 | 1,984 | 444 | 189 | - | 633 | 5,228 | 48.7% | 12.1% |
| 2021 | 9,997 | 2,703 | 2,020 | 459 | 168 | - | 627 | 5,113 | 52.9% | 12.3% |
| 2022 | 11,390 | 2,874 | 2,053 | 486 | 184 | - | 670 | 4,972 | 57.8% | 13.5% |
| 2023 | 12,773 | 3,057 | 2,081 | 523 | 228 | - | 751 | 4,808 | 63.6% | 15.6% |



RESULTS

Actuarial Obligations

June 30, 2013

(Amounts in 000's)

| | Misc | Safety | Total |
|---|--------------|---------------|--------------|
| ■ Present Value of Benefits | | | |
| • Actives | \$ 12,638 | \$ 6,527 | \$ 19,165 |
| • Retirees | <u>2,779</u> | <u>3,154</u> | <u>5,933</u> |
| • Total | 15,417 | 9,681 | 25,098 |
| ■ Actuarial Accrued Liability | | | |
| • Actives | 6,433 | 2,059 | 8,491 |
| • Retirees | <u>2,779</u> | <u>3,154</u> | <u>5,933</u> |
| • Total | 9,212 | 5,213 | 14,424 |
| ■ Actuarial Value of Assets | - | - | - |
| ■ Unfunded Actuarial Accrued Liability | 9,212 | 5,213 | 14,424 |
| ■ Normal Cost | 617 | 290 | 907 |
| ■ Pay-As-You-Go Cost | 93 | 43 | 136 |



RESULTS

Annual Required Contribution (ARC)

2013/14 Fiscal Year

(Amounts in 000's)

| | Misc | Safety | Total |
|------------------------------------|--------------|---------------|--------------|
| ■ ARC - \$ | | | |
| • Normal Cost | \$ 617 | \$ 290 | \$ 907 |
| • UAAL Amortization | <u>533</u> | <u>301</u> | <u>834</u> |
| • ARC | 1,150 | 591 | 1,741 |
| ■ Projected Covered Payroll | 3,847 | 1,962 | 5,809 |
| ■ ARC - % | | | |
| • Normal Cost | 16.1% | 14.8% | 15.6% |
| • UAAL Amortization | <u>13.8%</u> | <u>15.4%</u> | <u>14.4%</u> |
| • ARC | 29.9% | 30.2% | 30.0% |



RESULTS

Actuarial Obligations

June 30, 2013

(Amounts in 000's)

| | Cash Subsidy | Implied Subsidy | Total Cost |
|---|-------------------------|----------------------------|-------------------|
| ■ Present Value of Benefits | | | |
| • Actives | \$ 13,355 | \$ 5,810 | \$ 19,165 |
| • Retirees | <u>4,825</u> | <u>1,108</u> | <u>5,933</u> |
| • Total | 18,180 | 6,918 | 25,098 |
| ■ Actuarial Accrued Liability | | | |
| • Actives | 6,071 | 2,420 | 8,491 |
| • Retirees | <u>4,825</u> | <u>1,108</u> | <u>5,933</u> |
| • Total | 10,896 | 3,528 | 14,424 |
| ■ Actuarial Value of Assets | - | - | - |
| ■ Unfunded Actuarial Accrued Liability | 10,896 | 3,528 | 14,424 |
| ■ Normal Cost | 633 | 274 | 907 |
| ■ Pay-As-You-Go Cost | 113 | 23 | 136 |



RESULTS

Annual Required Contribution (ARC)

2013/14 Fiscal Year

(Amounts in 000's)

| | Cash Subsidy | Implied Subsidy | Total Cost |
|------------------------------------|-------------------------|----------------------------|-------------------|
| ■ ARC - \$ | | | |
| • Normal Cost | \$ 633 | \$ 274 | \$ 907 |
| • UAAL Amortization | <u>630</u> | <u>204</u> | <u>834</u> |
| • ARC | 1,263 | 478 | 1,741 |
| ■ Projected Covered Payroll | 5,809 | 5,809 | 5,809 |
| ■ ARC - % | | | |
| • Normal Cost | 10.9% | 4.7% | 15.6% |
| • UAAL Amortization | <u>10.9%</u> | <u>3.5%</u> | <u>14.4%</u> |
| • ARC | 21.8% | 8.2% | 30.0% |



RESULTS

Estimated 2013/14 Implied Subsidy Transfer for Medical Coverage
For Illustrative Purposes Only
 (Amounts in 000's)

| Before GASB 45 | Actives | Pre-Medicare Retirees | Total |
|------------------------------------|----------------|------------------------------|--------------|
| ■ Total Premium ⁸ | \$ 760 | \$ 56 | \$ 816 |
| ■ Member Contribution ⁹ | <u>0</u> | <u>(8)</u> | <u>(8)</u> |
| ■ Employer Contribution | 760 | 47 | 807 |

| After GASB 45 | Actives | Pre-Medicare Retirees | Total |
|----------------------------|----------------|------------------------------|--------------|
| ■ Total Premium | \$ 760 | \$ 56 | \$ 816 |
| ■ Member Contribution | 0 | (8) | (8) |
| ■ Implied Subsidy Transfer | <u>(19)</u> | <u>19</u> | <u>0</u> |
| ■ Employer Contribution | 741 | 66 | 807 |

⁸ Estimated premium based on the 2014 premiums for ½ year.

⁹ Assumes no member contribution for actives.



SENSITIVITIES

Dependent Pre-Medicare Cap Increase Sensitivity
 (Amounts in 000's)

| | 3.00% | No Increase |
|-------------------------------|--------------|--------------------|
| ■ Present Value of Benefits | \$ 25,098 | \$ 24,560 |
| ■ Actuarial Accrued Liability | 14,424 | 14,127 |
| ■ Actuarial Value of Assets | <u>-</u> | <u>-</u> |
| ■ Unfunded AAL | 14,424 | 14,127 |
| ■ ARC - \$ | | |
| • Normal Cost | 907 | 888 |
| • UAAL Amortization | <u>834</u> | <u>817</u> |
| • Total ARC | 1,741 | 1,705 |
| ■ ARC - % | 30.0% | 29.3% |



SENSITIVITIES

Discount Rate Sensitivity

(Amounts in 000's)

| | 4.00% | 7.25% |
|--------------------------------------|--------------|--------------|
| ■ Present Value of Benefits | \$ 25,098 | \$ 12,140 |
| ■ Actuarial Accrued Liability | 14,424 | 8,614 |
| ■ Actuarial Value of Assets | - | - |
| ■ Unfunded AAL | 14,424 | 8,614 |
| ■ ARC - \$ | | |
| • Normal Cost | 907 | 412 |
| • UAAL Amortization | 834 | 712 |
| • Total ARC | 1,741 | 1,124 |
| ■ ARC - % | 30.0% | 19.4% |



August 12, 2014



SENSITIVITIES

10-Year Full-Funding Projection Illustration

(Amounts in 000's)

| Fiscal Year End | Begin Year NOO | ARC | Annual OPEB Cost (AOC) | Contribution (Benefit Payments) | | | | Cov'd Pay | ARC % of Cov'd Payroll | Contrib % of Cov'd Payroll |
|-----------------|----------------|----------|------------------------|---------------------------------|-------|----------|--------------|-----------|------------------------|----------------------------|
| | | | | Cash BP | IS BP | Pre-Fund | Total Contr. | | | |
| 2014 | \$ - | \$ 1,124 | \$ 1,124 | \$ 113 | \$ 23 | \$ 988 | \$ 1,124 | \$5,809 | 19.3% | 19.3% |
| 2015 | - | 1,117 | 1,117 | 262 | 71 | 784 | 1,117 | 5,707 | 19.6% | 19.6% |
| 2016 | - | 1,110 | 1,110 | 307 | 95 | 708 | 1,110 | 5,609 | 19.8% | 19.8% |
| 2017 | - | 1,103 | 1,103 | 349 | 113 | 641 | 1,103 | 5,517 | 20.0% | 20.0% |
| 2018 | - | 1,097 | 1,097 | 384 | 132 | 581 | 1,097 | 5,427 | 20.2% | 20.2% |
| 2019 | - | 1,090 | 1,090 | 414 | 156 | 520 | 1,090 | 5,335 | 20.4% | 20.4% |
| 2020 | - | 1,083 | 1,083 | 444 | 189 | 450 | 1,083 | 5,228 | 20.7% | 20.7% |
| 2021 | - | 1,075 | 1,075 | 459 | 168 | 448 | 1,075 | 5,113 | 21.0% | 21.0% |
| 2022 | - | 1,065 | 1,065 | 486 | 184 | 395 | 1,065 | 4,972 | 21.4% | 21.4% |
| 2023 | - | 1,053 | 1,053 | 523 | 228 | 302 | 1,053 | 4,808 | 21.9% | 21.9% |



August 12, 2014



ACTUARIAL CERTIFICATION

This report presents the City of Reedley Retiree Healthcare Plan ("Plan") June 30, 2013 actuarial valuation. The purpose of this valuation is to:

- Determine the Governmental Accounting Standards Board Statement No. 45 June 30, 2013 Benefit Obligations,
- Determine the Plan's June 30, 2013 Funded Status, and
- Calculate the 2013/14, 2014/15 and 2015/16 Annual Required Contributions.

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

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

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

Respectfully submitted,



Mary Elizabeth Redding, FSA, MAAA, EA
Assistant Vice President
Bartel Associates, LLC
August 12, 2014



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EXHIBITS

| <u>Topic</u> | <u>Page</u> |
|-----------------------|-------------|
| Data Summary | E- 1 |
| Actuarial Assumptions | E- 9 |
| Definitions | E-11 |
| GASB 45 Summary | E-13 |



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DATA SUMMARY

Current Active Medical Coverage

| Plan | Single | 2-Party | Family | Waived | Total |
|------------------|---------------|----------------|---------------|---------------|--------------|
| SJVIA Anthem HMO | 8 | 19 | 55 | - | 82 |
| SJVIA Anthem PPO | 5 | 3 | 6 | - | 14 |
| SJVIA Kaiser HMO | 3 | 4 | 5 | - | 12 |
| Waived | - | - | - | 5 | 5 |
| Total | 16 | 26 | 66 | 5 | 113 |



DATA SUMMARY

Current Retiree Medical Coverage
Pre 65

| Plan | Single | 2-Party | Family | Total |
|----------------------|---------------|----------------|---------------|--------------|
| SJVIA Anthem HMO | 2 | 4 | - | 6 |
| SJVIA Anthem PPO | 1 | - | - | 1 |
| SJVIA Kaiser HMO | 1 | - | - | 1 |
| Humana ¹⁰ | - | 1 | 1 | 2 |
| Waived | - | - | - | 8 |
| Total | 4 | 5 | 1 | 18 |

¹⁰ Two pre-65 disabled retirees in Medicare plans.



DATA SUMMARY

Current Retiree Medical Coverage
Post 65

| Plan | Single | 2-Party | Family | Total |
|-------------------|---------------|----------------|---------------|--------------|
| Humana | 7 | 11 | 2 | 20 |
| Freedom of Choice | 1 | 1 | - | 2 |
| Waived | - | - | - | 11 |
| Total | 8 | 12 | 2 | 33 |



DATA SUMMARY

Covered Retiree Medical Plan Coverage by Age
Miscellaneous

| Age | Medical Coverage | | | |
|--------------------|-------------------------|----------------|---------------|--------------|
| | Single | 2-Party | Family | Total |
| Under 50 | - | - | - | - |
| 50-54 | - | - | - | - |
| 55-59 | 1 | 1 | - | 2 |
| 60-64 | 2 | - | - | 2 |
| 65-69 | 1 | 3 | 2 | 6 |
| 70-74 | - | 3 | - | 3 |
| 75-80 | 4 | 2 | - | 6 |
| 80-85 | 2 | 1 | - | 3 |
| 85 & Over | - | 1 | - | 1 |
| Total | 10 | 11 | 2 | 23 |
| Average Age | 72.4 | 72.1 | 67.7 | 71.9 |



DATA SUMMARY

Covered Retiree Medical Plan Coverage by Age
Safety

| Age | Medical Coverage | | | |
|-------------|------------------|---------|--------|-------|
| | Single | 2-Party | Family | Total |
| Under 50 | - | 3 | 1 | 4 |
| 50-54 | - | - | - | - |
| 55-59 | 1 | - | - | 1 |
| 60-64 | - | 1 | - | 1 |
| 65-69 | 1 | 1 | - | 2 |
| 70-74 | - | 1 | - | 1 |
| 75-80 | - | - | - | - |
| 80-85 | - | - | - | - |
| 85 & Over | - | - | - | - |
| Total | 2 | 6 | 1 | 9 |
| Average Age | 62.8 | 55.9 | 38.4 | 55.5 |



DATA SUMMARY

Actives by Age and Service
Miscellaneous

| Age | City Service | | | | | | | Total |
|-------|--------------|-----|-----|-------|-------|-------|------|-------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 3 | - | - | - | - | - | - | 3 |
| 25-29 | 2 | 2 | 4 | - | - | - | - | 8 |
| 30-34 | 3 | 4 | 6 | 1 | - | - | - | 14 |
| 35-39 | 3 | 3 | 2 | 1 | - | - | - | 9 |
| 40-44 | - | - | 4 | - | 2 | - | - | 6 |
| 45-49 | 1 | 1 | 4 | 1 | 0 | 1 | 1 | 9 |
| 50-54 | 1 | 3 | 2 | 2 | 2 | 5 | 2 | 17 |
| 55-59 | 1 | - | 2 | - | 1 | 2 | 2 | 8 |
| 60-64 | 1 | - | 1 | 1 | 3 | 1 | 1 | 8 |
| ≥ 65 | - | - | - | 1 | - | - | - | 1 |
| Total | 15 | 13 | 25 | 7 | 8 | 9 | 6 | 83 |



DATA SUMMARY

Actives by Age and Service
Safety

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



DATA SUMMARY

Actives by Age and Service
Total

| Age | City Service | | | | | | | Total |
|--------------|--------------|-----------|-----------|-----------|-----------|-----------|----------|------------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 3 | - | - | - | - | - | - | 3 |
| 25-29 | 4 | 5 | 6 | - | - | - | - | 15 |
| 30-34 | 6 | 5 | 9 | 2 | - | - | - | 22 |
| 35-39 | 3 | 5 | 5 | 2 | - | - | - | 15 |
| 40-44 | - | 1 | 5 | 2 | 3 | 1 | - | 12 |
| 45-49 | 1 | 1 | 4 | 2 | 1 | 1 | 1 | 11 |
| 50-54 | 1 | 3 | 3 | 2 | 2 | 5 | 2 | 18 |
| 55-59 | 1 | - | 2 | - | 1 | 2 | 2 | 8 |
| 60-64 | 1 | - | 1 | 1 | 3 | 1 | 1 | 8 |
| ≥ 65 | - | - | - | 1 | - | - | - | 1 |
| Total | 20 | 20 | 35 | 12 | 10 | 10 | 6 | 113 |



ACTUARIAL ASSUMPTIONS

| June 30, 2013 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-----------------------|------------|--------|--------|--------|--|--|-----|------------|--|------------|--|--------|--|---|---|---|---|---|---|----|--------|--------|--------|--------|--------|--------|----|-----|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|-------|-----|-------------------|--|--|--------|--|--|-----|---|---|----|--------|--------|----|-----|-----|----|-----|-----|----|-----|-----|----|-----|-----|
| <ul style="list-style-type: none"> ■ Payroll Increases | <ul style="list-style-type: none"> ■ 3.25% Aggregate increase ■ CalPERS 1997-2011 Experience Study for Merit and Longevity increases | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ 2014/15 Medical Claims Cost | <ul style="list-style-type: none"> ■ Sample monthly claims costs by age: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="7">Non-Medicare Eligible</th> </tr> <tr> <th rowspan="2">Age</th> <th colspan="2">Anthem HMO</th> <th colspan="2">Anthem PPO</th> <th colspan="2">Kaiser</th> </tr> <tr> <th>M</th> <th>F</th> <th>M</th> <th>F</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>\$ 583</td> <td>\$ 636</td> <td>\$ 662</td> <td>\$ 665</td> <td>\$ 617</td> <td>\$ 673</td> </tr> <tr> <td>55</td> <td>755</td> <td>761</td> <td>788</td> <td>761</td> <td>799</td> <td>805</td> </tr> <tr> <td>60</td> <td>966</td> <td>907</td> <td>947</td> <td>881</td> <td>1,022</td> <td>960</td> </tr> </tbody> </table> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th colspan="3">Medicare Eligible</th> </tr> <tr> <th colspan="3">Humana</th> </tr> <tr> <th>Age</th> <th>M</th> <th>F</th> </tr> </thead> <tbody> <tr> <td>65</td> <td>\$ 258</td> <td>\$ 238</td> </tr> <tr> <td>70</td> <td>296</td> <td>270</td> </tr> <tr> <td>75</td> <td>333</td> <td>298</td> </tr> <tr> <td>80</td> <td>357</td> <td>317</td> </tr> <tr> <td>85</td> <td>351</td> <td>312</td> </tr> </tbody> </table> | Non-Medicare Eligible | | | | | | | Age | Anthem HMO | | Anthem PPO | | Kaiser | | M | F | M | F | M | F | 50 | \$ 583 | \$ 636 | \$ 662 | \$ 665 | \$ 617 | \$ 673 | 55 | 755 | 761 | 788 | 761 | 799 | 805 | 60 | 966 | 907 | 947 | 881 | 1,022 | 960 | Medicare Eligible | | | Humana | | | Age | M | F | 65 | \$ 258 | \$ 238 | 70 | 296 | 270 | 75 | 333 | 298 | 80 | 357 | 317 | 85 | 351 | 312 |
| Non-Medicare Eligible | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age | Anthem HMO | | Anthem PPO | | Kaiser | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | M | F | M | F | M | F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50 | \$ 583 | \$ 636 | \$ 662 | \$ 665 | \$ 617 | \$ 673 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55 | 755 | 761 | 788 | 761 | 799 | 805 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 60 | 966 | 907 | 947 | 881 | 1,022 | 960 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Medicare Eligible | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Humana | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age | M | F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 65 | \$ 258 | \$ 238 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70 | 296 | 270 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 75 | 333 | 298 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 80 | 357 | 317 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 85 | 351 | 312 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> ■ Medicare Eligible Rate | <ul style="list-style-type: none"> ■ 100% ■ Everyone eligible for Medicare will elect Part B coverage | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

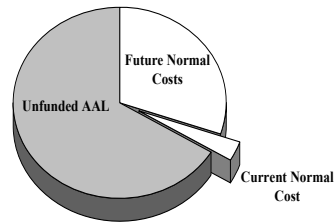
| June 30, 2013 Valuation | |
|--|--|
| <ul style="list-style-type: none"> ■ Spouse Coverage at Retirement | <ul style="list-style-type: none"> ■ Currently covered: Same as current elections ■ Currently waived: 80% |
| <ul style="list-style-type: none"> ■ Surviving Spouse Participation | <ul style="list-style-type: none"> ■ 100% if participant has spouse coverage |
| <ul style="list-style-type: none"> ■ Dependent (Child) Coverage at Retirement | <ul style="list-style-type: none"> ■ Pre-65 <ul style="list-style-type: none"> • Actives: Not covered • Retirees: same as current coverage until 65 ■ Post-65: 0% |
| <ul style="list-style-type: none"> ■ Spouse Age | <ul style="list-style-type: none"> ■ Current actives: males 3 years older than females ■ Current retirees: males 3 years older than females if spouse birth date not provided |
| <ul style="list-style-type: none"> ■ Future New Participants | <ul style="list-style-type: none"> ■ None: closed group |



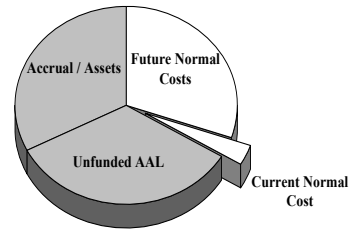
DEFINITIONS

Present Value of Projected Benefits (PVPB)

Without Assets



With Assets



■ PVPB – Present Value of all Projected Benefits

- Discounted value, at measurement date (valuation date) of all future expected benefit payments
- Expected benefit payments based on various actuarial assumptions



DEFINITIONS

■ AAL – Actuarial Accrued Liability / Actuarial Obligation

- Discounted value at measurement date (valuation date) of benefits “earned” through measurement date based on actuarial cost method
- Portion of PVPB “earned” at measurement

■ NC – Normal Cost

- Value of benefits “earned” during current year
- Portion of PVPB allocated to current year

■ Actuarial Cost Method

- Determines how benefits are “earned” or allocated to each year of service
- Has no effect on PVPB
- Has significant effect on Actuarial Obligations and Normal Cost

■ Pay-As-You-Go Cost (PayGo)

- Cash Subsidy – Actual cash benefit payments to retirees
- Implied Subsidy – Difference between cost of retiree benefits and retiree premiums
- PayGo is the expected retiree benefit payments for the year while Normal Cost is the expense for benefits accrued by active employees during the year



GASB 45 SUMMARY

| | |
|--|---|
| <ul style="list-style-type: none"> ■ Accrual Accounting | <ul style="list-style-type: none"> ■ Project future employer-provided benefit cash flows ■ Discount projected cash flows to determine present value of benefits ■ Allocate present value of benefits to past, current, and future periods ■ Normal Cost is amount allocated to current period ■ Actuarial Accrued Liability (AAL) is amount allocated to prior periods ■ Unfunded AAL is AAL less plan assets pre-funded in a segregated and restricted trust |
| <ul style="list-style-type: none"> ■ Annual Required Contribution (ARC) | <ul style="list-style-type: none"> ■ “Required contribution” for the current period including: <ul style="list-style-type: none"> • Normal Cost • Amortization of: <ul style="list-style-type: none"> ➢ Initial Unfunded AAL ➢ AAL for plan, assumption, and method changes ➢ Experience gains and losses (difference between expected and actual) ➢ Contribution gains and losses (difference between ARC and actual) ■ ARC in excess of pay-as-you-go costs not required to be funded |
| <ul style="list-style-type: none"> ■ Annual OPEB Cost (AOC) | <ul style="list-style-type: none"> ■ Expense for the current period including: <ul style="list-style-type: none"> • ARC • Interest on NOO • Adjustment of NOO |



GASB 45 SUMMARY

| | |
|---|---|
| <ul style="list-style-type: none"> ■ Net OPEB Obligation (NOO/NOA) | <ul style="list-style-type: none"> ■ Accumulation of amounts expensed and not funded (contribution losses) ■ Referred to as Net OPEB Asset (NOA) if negative |
| <ul style="list-style-type: none"> ■ NOO Adjustment | <ul style="list-style-type: none"> ■ GASB 45: <ul style="list-style-type: none"> • NOO adjustment (amortization) prevents double counting of expense as future ARCs include amortizations of contribution gains and losses previously expensed • Approximate calculation of NOO amortization allowed: <ul style="list-style-type: none"> ➢ Use amortization period in ARC if one UAAL base ➢ Use experience gain/loss amortization period in ARC if multiple bases • GASB Technical Bulletin 2008-1 exact method: <ul style="list-style-type: none"> ➢ Can use actual ARC contribution gain/loss amortization as NOO adjustment • NOO equals unamortized contribution gain/loss balances |

