City of Fort Bragg
Retiree Healthcare Plan

Actuarial Valuation as of June 30, 2015
For Fiscal Years 2016/17 and 2017/18

July 20, 2016

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ACTUARIAL VALUATION CERTIFICATION

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

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

This report includes the following sections:

- Section 1 presents an introduction.
- Section 2 summarizes the census data.
- Section 3 summarizes the Plan provisions.
- Section 4 summarizes the actuarial methods and assumptions.
- Section 5 provides the results of the actuarial valuation.
- Section 6 summarizes the health plans and premiums.
- Section 7 summarizes the life expectancies.
- Section 8 provides a brief summary of GASB 45 and GASB 75.

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

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

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

Respectfully submitted,
Bartel Associates, LLC

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TABLE OF CONTENTS

Actuarial and Accounting Terminology Used in this Report

- AAL – Actuarial Accrued Liability
- ADC – Actuarially Determined Contribution
- AOC – Annual OPEB Cost
- ARC – Annual Required Contribution
- EAN – Entry Age Normal Cost Method
- GASB 45 – Governmental Accounting Standards Board Statement No. 45
- GASB 75 – Governmental Accounting Standards Board Statement No. 75
- NC – Normal Cost
- NOO – Net OPEB Obligation
- OPEB – Other (than pensions) Post Employment Benefits
- PVFB – Present Value of all Future Benefits
- UAAL – Unfunded Actuarial Accrued Liability

Introduction

The City's post-retirement healthcare program covers service and disability retirements directly from service with 10 years of City service. Benefits provided are dependent on bargaining group and hire date. **Retirees hired on or after July 1, 2011 (January 1, 2012 for Fort Bragg Police Officer Association members) are not covered by the program**. Currently 30 retirees are covered by the program and 32 employees are potentially eligible for benefits upon retirement.

Participant Statistics

	FBPA	SEIU	Mid-Mgmt & Mgmt	Other[1]	Total
Actives[2]					
Counts:					
Tier 1	1	2	1	0	4
Tier 2	1	6	2	0	9
Tier 3	6	7	2	1	16
Tier 4	1	0	0	2	3
Total	9	15	5	3	32
Avg. Age	40.3	52.7	53.0	56.0	49.6
Avg. Svc.	11.7	14.8	14.8	7.6	13.2
Avg. Entry Age	28.6	38.0	38.3	48.4	36.4
Avg. Pay	$ 62,533	$ 56,263	$ 105,426	$ 55,040	$ 65,594
Total Pay	562,794	843,952	527,130	165,120	2,098,996
Inactives					
Count					
Under 65	2	3	4	0	9
Over 65	5	9	3	4	21
Total	7	12	7	4	30
Avg. Age	68.8	70.2	64.1	92.1	71.4

Medical and Dental Coverage

	Single	2-Party	Family	Waived	Total
Actives					
Medical					
EPO 250	5	12	9	0	26
EPO 500	0	0	1	0	1
HSA 1300	1	1	1	0	3
Waived	0	0	0	2	2
Total	6	13	11	2	32
Dental	7	12	11	2	32

[1] Part-time employees or not represented by current bargaining groups.
[2] Excludes employees not eligible for the plan.

	Single	2-Party	Family	Waived	Total
Inactives					
Medical <65					
EPO 250	5	3	0	0	8
PPO 250	0	1	0	0	1
Medical >65					
Hartford	13	8	0	0	21
Total Medical	18	12	0	0	30
Dental	18	12	0	0	30

Participant Reconciliation – Plan Participants Only

		Inactives				
	Actives	Service	Disability	Beneficiary	Total	Total
June 30, 2013	42	16	7	6	29	71
New Hires	0	0	0	0	0	0
Terminations	(6)	0	0	0	0	(6)
Deaths	0	(1)	0	(2)	(3)	(3)
New Eligible Retirees	(3)	3	0	0	3	0
New Ineligible Retirees	(1)	0	0	0	0	(1)
Corrections	0	0	1	0	1	1
June 30, 2015	32	18	8	4	30	62

Design of Current Program

Health Plans

The City's post-retirement healthcare program covers service and disability retirements who retire directly from service with 10 years of City service. Benefits provided are dependent on bargaining group and hire date. The City pays vision benefits for 6 grandfathered retirees.

Tier 1: For retirees hired before January 1, 1992, the City pays the full cost of medical and dental premiums for the former employee. In addition the City pays a percentage of the spouse's medical plan premium starting at the retiree's age 60. The percentage is 10% for each year of service after 10 years, reaching 100% for those retiring with 19 or more years of service. In addition, the spouse may participate in the dental program – but at their own cost.

Tier 2: For retirees hired on or after January 1, 1992 and before July 1, 2003 (July 1, 2004 for Fort Bragg Police Officer Association members), the City pays the full cost of medical and dental premiums for the former employee only. Spouses of Management retirees may participate in the City health plans at their own cost.

Tier 3: For retirees hired on or after July 1, 2003 (July 1, 2004 for Fort Bragg Police Officer Association members) and before July 1, 2007, the City pays the full cost of medical and dental premiums for the former employee until age 65 when Medicare becomes payable. Thereafter, coverage is limited to a supplemental prescription drug plan, which is paid for by the City. Spouses of Management retirees may participate in the City health plans until age 65 at their own cost.

Tier 4: For retirees hired on or after July 1, 2007 and before July 1, 2011 (January 1, 2012 for Fort Bragg Police Officer Association members), the retiree only may remain in the City's health plans until age 65, but at their own cost. Spouses of Management retirees may participate in the City health plans until age 65 at their own cost.

For retirees hired on or after July 1, 2011 (January 1, 2012 for Fort Bragg Police Officer Association members), the retiree and spouse receive no City payments towards medical and dental coverage and may not participate in the City's health plans.

Demographic Assumptions

Pre-retirement disability, termination, and retirement probabilities	CalPERS 2014 experience study (1997-2011 experience) assumptions for Public Agencies for retirement formula covering employee (i.e., 2% at 55 for general employees and 2% at 50 for FBPA members).
Pre- and Post-retirement mortality probabilities	CalPERS 2014 experience study mortality table assumptions for pre-retirements, service retirements and disabilities adjusted for future mortality improvement using Scale MP-2014 with 15-year convergence in 2022.
CalPERS Reciprocal Service	City service plus ½ years between age 30 and City hire age.
Medical Coverage of current employees after retirement	Tiers 1-3: All future retirees (including employees currently waiving coverage) are expected to elect medical and dental coverage available to them at retirement. Tier 4: 75% of future retirees (including employees currently waiving coverage) are expected to elect medical and dental coverage available to them at retirement. To the extent allowable under the plan, employees with spouse or family coverage are assumed to cover their spouses after retirement.
Medicare Coverage	All employees, retirees and spouses are assumed to be covered by Medicare A and B at age 65.
Spouse ages	Employees: Female spouse is three years younger than male spouse. Retirees: Spouse date of birth was provided by the City.
PPACA High Cost Plan Excise Tax	2% load, City-paid medical premiums

Economic Assumptions

Long-term Investment Return	**7.25%**
General Salary Increases	3.25%
Inflation Rate	3.00%

The City pre-funds using the California Employers' Retiree Benefit Trust (CERBT), the irrevocable trust set up by CalPERS for prefunding post-retirement benefits other than pensions. The 7.25% long-term investment return assumption is consistent with the CERBT asset allocation the City has chosen, Strategy #1 with a target allocation of 57% equities, 27% fixed income, 5% inflation linked bonds, 8% REITs, and 3% commodities and contains a 0.08% margin for adverse investment experience. The general salary increase assumption is based on 3.0% future inflation plus 0.25% across-the-board pay increases.

Medical Assumptions

Future Increases in Premium Rates

Medical premiums and claims are assumed to increase at the rates shown below.

Increase effective					
7/1/17	7/1/18	7/1/19	7/1/20	7/1/21	7/1/22+
8.00%	7.50%	7.00%	6.50%	6.00%	5.25%

Dental costs are assumed to increase at 5.25% per year. Vision costs are assumed to increase at 3.25% per year.

Premium for Tier 3 Supplemental Pharmacy Plan

Since the plan has not been priced or installed, the pharmacy portion of the Hartford premium has been used.

Implied Subsidy for Pre-Medicare Retirees

Under the current REMIF rate structure, active employees are partially subsidizing early retiree claims costs. This subsidy, known as an implied subsidy, is included in the valuation.

Claims Costs for Pre- and Post-Medicare Retirees

Information regarding age/gender based claim costs used in the valuation may be found in Appendix A.

Actuarial Cost Method

The level percentage of pay Entry Age Normal Cost Method has been used to calculate contribution levels and the Unfunded Actuarial Accrued Liability. This is the same actuarial method that is used to fund California PERS retirement benefits. For purposes of calculating the 2016/17 Annual Required Contribution, the Unfunded Actuarial Accrued Liability is amortized as a level dollar amount over the closed 26-year period from July 1, 2016 to June 30, 2042.

Demographic Data

Data as of June 30, 2015 was provided by the City. The data has been checked for general reasonability but has not been audited.

Funding Policy

The City began fully prefunding the plan by paying the Annual Required Contribution starting in the 2011/12 plan year.

Assets

The Actuarial Value of Assets is set equal to the Market Value of Assets.

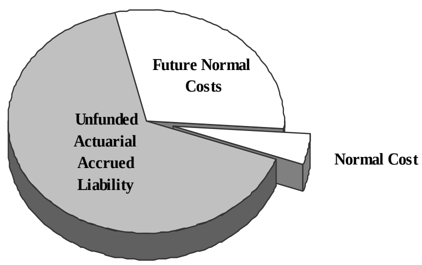
Changes since the Last Valuation

The following assumptions were changed:

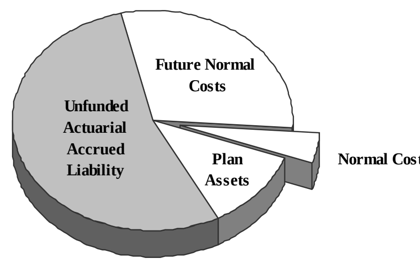
- The aging factors used in the development of the claims cost were updated.
- The CalPERS experience study assumptions and our mortality improvement scale were updated.
- Future increases in medical premiums from 7/1/17 to 7/1/22 were changed:
    - From: 7.0%, 6.5%, 6.0%, 5.25%, 5.25%, 5.25%
    - To: 8.0%, 7.5%, 7.0%, 6.5%, 6.0%, 5.25%
- The City-paid medical premiums were loaded 2% to estimate the cost of PPACA high cost plan excise tax (Cadillac Tax).

Terminology

This report develops the AAL and Normal Cost using the Entry Age Normal actuarial cost method. It is designed to produce a Normal Cost that, if all assumptions are met, will generally be a level percent of payroll. The following charts illustrate a sample PVPB, both with and without plan assets, with the shaded area representing the unfunded AAL:



Present Value of Projected Benefits
(Without Plan Assets)



Present Value of Projected Benefits
(With Plan Assets)

- **The Present Value of Projected Benefits (PVPB)** is a measure of the City's total obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.

- **The Actuarial Accrued Liability (AAL)** is a measure of the City's obligation for benefits earned or allocated to past service.

- **The Normal Cost (NC)** is the value of City-provided benefits expected to be earned or allocated to the current fiscal year determined as of the end of the fiscal year.

- **Plan Assets** must be segregated in a trust for the sole purpose of paying Plan benefits in order to be considered Plan Assets for GASB 45.

- **The Unfunded Actuarial Accrued Liability (UAAL)** is the difference between the AAL and the Plan Assets.

- **Expected Benefit Payments** are the City-paid retiree healthcare benefit payments for the current fiscal year. They include payments for current retirees and active employees expected to retire during the year.

- **The Annual Required Contribution (ARC)** is the sum of the Normal Cost plus amortization of the Unfunded Actuarial Accrued Liability (or less an amortization of excess assets) determined as of the middle of the fiscal year.

- **The Annual OPEB Cost (AOC)** is the expense recorded in the City's financial statements and initially set equal to the Annual Required Contribution. To the extent that less than the Annual Required Contribution (ARC) is contributed to the plan, a **Net OPEB Obligation (NOO)** is created which is reported as a long-term liability and each years Annual OPEB Cost is adjusted to include interest on this Net OPEB Obligation.

- An actuarial standard (#6) requires that the **Implied Subsidy** for retirees be included in the AAL and the ARC. An Implied Subsidy exists when the experience of groups with different claims rates is combined in calculating premiums. In this case, premiums paid by one group (for example early retirees) may be insufficient to pay their claims – leading to subsidization from the premiums from lower cost groups (for example employees).

Asset Reconciliation
July 1, 2013 – June 30, 2015

	Total
■ **Assets as of July 1, 2013**	$ 672,100
• Contributions 7/1/2013-6/30/2014	301,300
• Disbursements 7/1/2013-6/30/2014	0
• Investment Earnings 7/1/2013-6/30/2014	123,838
• Investment Expenses 7/1/2013-6/30/2014	(1,011)
■ **Assets as of June 30, 2014**	1,096,227
• Contributions 7/1/2014-6/30/2015	285,000
• Disbursements 7/1/2014-6/30/2015	0
• Investment Earnings 7/1/2014-6/30/2015	(8,460)
• Investment Expenses 7/1/2014-6/30/2015	(1,145)
■ **Assets as of July 1, 2015**	1,371,622

The return on market value of assets was 18.3% for fiscal year 2013/14 and (0.8%) for fiscal year 2014/15.

Results

Shown on the next page for all current employees and retirees by bargaining group are:

(1) The present value of all future post-retirement health benefits anticipated to be paid by the City

(2) The associated Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability

(3) Annual Required Contribution (ARC) amounts calculated in accordance with GASB 45.

Contribution levels as a percentage of payroll differ between groups due to:

1. Relative number of participants covered by the various benefit Tiers
2. Average entry age
3. Average pay rate
4. Ratio of retirees to employees
5. Other demographic characteristics

Results of Post-Retirement Health Valuation as of June 30, 2015

	FBPA	SEIU	Mid-Mgmt & Mmgt	Others	Total
(1) Present Value of Future Benefits (PVFB)					
PVFB:					
Actives	$ 933,158	$ 1,620,332	$ 583,623	$ 82,337	$ 3,219,450
Inactives	1,008,269	1,618,193	1,622,354	104,419	4,353,235
Total PVFB	1,941,427	3,238,525	2,205,977	186,756	7,572,685
(2) Unfunded Actuarial Accrued Liability (UAAL)					
Actuarial Accrued Liability (AAL):					
Actives	613,312	1,275,295	428,265	54,602	2,371,474
Inactives	1,008,269	1,618,193	1,622,354	104,419	4,353,235
Total AAL	1,621,581	2,893,488	2,050,619	159,021	6,724,709
Assets (Reserve)[3]	330,750	590,178	418,260	32,435	1,371,622
UAAL	1,290,831	2,303,310	1,632,359	126,586	5,353,087
(3) FY 2016/17 ARC Amounts*					
26-Year Funding - $ amount					
Normal Cost	32,324	55,755	21,381	4,769	114,229
26-year Funding of UAAL	109,429	194,973	137,525	10,081	452,007
Total	141,753	250,728	158,906	14,850	566,237
26-Year Funding - % of covered pay					
Normal Cost	5.7%	7.1%	4.0%	2.9%	5.6%
26-year Funding of UAAL	19.3%	24.8%	26.0%	6.1%	22.1%
Total**	25.0%	31.9%	30.1%	9.0%	27.7%
(4) Projected 2016/17 Covered Payroll[4]	$ 567,841	$ 785,075	$ 528,100	$ 165,715	$ 2,046,730

*Contributions are assumed to be payable at the middle of the year.

**Differences due to rounding.

[3] Allocated based on AAL.
[4] Payroll for plan participants only.

Annual Required Contribution (ARC)/Actuarially Determined Contribution (ADC)
The Annual Required Contribution for 2016/17 and the Actuarially Determined Contribution[5] for 2017/18 are shown below based on estimated trust earnings of 0.2% in 2016/17 and 7.25% in 2017/18.

	2016/17	2017/18
■ **ARC/ADC - $ (Middle of Year)**		
• Normal Cost	$ 114,229	$ 107,719
• UAAL 26 Year Amortization	452,007	452,007
• Total	566,237	559,726
■ **Projected Covered Payroll**[6]	2,046,730	1,959,882
■ **ARC/ADC - %**		
• Normal Cost	5.6%	5.5%
• UAAL 26 Year Amortization	22.1%	23.1%
• Total	27.7%	28.6%

[5] Name change due to new accounting standard (#75) effective for 2017/18. See page 27 for more information regarding GASB #75.
[6] Payroll for plan participants only.

Net OPEB Obligation (NOO)
The development of the estimated NOOs is shown below.

	2014/15	2015/16	2016/17
■ **Estimated NOO at Beg. of Year**	$926,431	$ 915,415	$903,602
■ **Annual OPEB Cost**			
• Annual Required Contribution (MOY[7])	566,586	559,013	566,237
• Interest on NOO	67,166	66,368	65,511
• Amortization of NOO	(78,181)	(78,181)	(78,181)
• Interest on ARC to end of year	20,179	19,910	20,167
• Annual OPEB Cost	575,751	567,109	573,733
■ **Contributions**			
• Cash Benefit Payments[8]	238,829	270,654	290,456
• Implied Subsidy Benefit Payments	43,391	45,035	27,855
• Pre-funding Contribution	285,000	243,323	247,925
• Interest on Contributions to end of year	19,546	19,910	20,167
• Total Contributions	586,766	578,922	586,403
■ **Estimated NOO at End of Year**	915,415	903,602	890,932

[7] Middle of the year.
[8] Actual benefit payments should be used and interest to end of year adjusted accordingly.

Comparison to Prior Valuation

A summary of valuation results appears below along with a comparison to the prior valuation.

	6/30/2013	6/30/2015
■ **Discount Rate**	**7.25%**	**7.25%**
■ **Present Value of Future Benefits**	$ 6,902,501	$ 7,572,685
■ **Funded Status**		
• Actuarial Accrued Liability (AAL)	5,790,855	6,724,709
• Assets	672,100	1,371,622
• Unfunded AAL	5,118,755	5,353,087
■ Funded Ratio (Assets/AAL)	11.6%	20.4%

	2014/15	2016/17
■ **ARC - $ Middle of the Year**		
• Normal Cost	$ 150,159	$ 114,229
• UAAL Amortization	416,427	452,007
• ARC	566,586	566,237
■ **ARC - % of Covered Pay**		
• Normal Cost	5.6%	5.6%
• UAAL Amortization	15.6%	22.1%
• ARC as % of Covered Pay	21.2%	27.7%
■ **Projected Covered Payroll**[9]	$ 2,670,713	$ 2,046,730

The increase in contribution rates from 2014/15 to 2016/17 is primarily due to assumption and method changes.

[9] Payroll for plan participants only.

An analysis of changes in the plan's Unfunded Actuarial Accrued Liability (UAAL) is below (amounts in 000's).

	AAL	Assets	UAAL
■ **Actual at 6/30/2013**	$ 5,791	$ 672	$ 5,119
■ **Expected at 6/30/2015**	6,428	1,383	5,045
● Experience			
o Premiums less than expected	(374)		(374)
o Contribution gain		2	(2)
o Investment loss		(13)	13
o Other including demographic	259		259
o Total	(115)	(11)	(104)
● Assumption and Method Changes			
o CalPERS 2014 Experience Study	(28)		(28)
o MP-14 Mortality Improvement	311		311
o ACA Excise Tax (Cadillac Tax)	95		95
o Change in pre-and post-Medicare claims cost aging/gender factors	(208)		(208)
o Change in medical trend	242		242
o Total	412	0	412
■ **Actual at 6/30/2015**	6,725	1,372	5,353

ARCs as a % of covered pay[10] are shown below by bargaining group. ARCs from the 6/30/2013 valuation are for fiscal year 2014/15. ARCs from the 6/30/2015 valuation are for FY 2016/17.

	Normal Cost	UAAL Amort.	ARC as % of Covered Pay[11]
■ **FBPA: 6/30/2013**	5.4%	14.7%	20.0%
■ **FBPA: 6/30/2015**	5.7%	19.3%	25.0%
■ **SEIU: 6/30/2013**	7.4%	19.6%	26.9%
■ **SEIU: 6/30/2015**	7.1%	24.8%	31.9%
■ **Mid-Mgmt & Mgmt: 6/30/2013**	3.8%	12.8%	16.7%
■ **Mid-Mgmt & Mgmt: 6/30/2015**	4.0%	26.0%	30.1%
■ **Other: 6/30/2013**	4.2%	7.3%	11.6%
■ **Other: 6/30/2015**	2.9%	6.1%	9.0%
■ **Total: 6/30/2013**	5.6%	15.6%	21.2%
■ **Total: 6/30/2015**	5.6%	22.1%	27.7%

Contribution rates would be expected to change differently between categories due to demographic differences, coverage differences, and different ratios of retirees to actives.

[10] Payroll for plan participants only.
[11] Differences in sums and totals due to rounding.

Projections

Shown below are projected valuation results assuming that the City prefunds the program. The projections assume no new entrants since the plan is closed to new hires. The amortization period for unfunded liabilities is the 26-year period from 7/1/2016 to 6/30/2042.

Projected Unfunded Actuarial Accrued Liability (UAAL), Annual Required Contribution, and Benefit Payments (thousands)

			Next FY ARC[12]				FY ARC[12] as % of Covered Payroll				
Valuation as of June 30,	UAAL	FY Benefit Payments[15]	UAAL Pymt	Normal Cost	Total	Covered[13] Payroll	UAAL Pymt	Normal Cost	Total	Total City Payroll	ARC as % of Total[14] Payroll
2016	5,410	318	452	114	566	2,047	22.1%	5.6%	27.7%	3,633	15.6%
2017	5,334	345	452	108	560	1,960	23.1%	5.5%	28.6%	3,751	14.9%
2018	5,253	379	452	101	553	1,868	24.2%	5.4%	29.6%	3,873	14.3%
2019	5,166	418	452	94	546	1,776	25.5%	5.3%	30.7%	3,999	13.7%
2020	5,072	447	452	87	539	1,684	26.8%	5.2%	32.0%	4,129	13.1%
2021	4,972	470	452	81	533	1,599	28.3%	5.1%	33.3%	4,263	12.5%
2022	4,864	498	452	76	528	1,499	30.2%	5.1%	35.2%	4,401	12.0%
2023	4,749	515	452	70	522	1,403	32.2%	5.0%	37.2%	4,544	11.5%
2024	4,625	505	452	65	517	1,315	34.4%	4.9%	39.3%	4,692	11.0%
2025	4,492	509	452	60	512	1,226	36.9%	4.9%	41.8%	4,845	10.6%
2026	4,350	518	452	55	507	1,140	39.6%	4.8%	44.5%	5,002	10.1%
2027	4,197	551	452	50	502	1,047	43.2%	4.8%	47.9%	5,165	9.7%

[12] Starting in 2017/18 Actuarially Determined Contribution (ADC) under GASB 75.
[13] Payroll for plan participants only.
[14] Estimated city payroll including employees not eligible for plan.
[15] Includes implied subsidy amounts.

Projected Contribution: (thousands)

Fiscal year Beginning July 1 of:	ARC[16]	Estimated City Payments: Retirees' Premiums[17]	Implied Subsidy	Trust Pre-funding	Total
2016	566	290	28	248	566
2017	560	317	28	215	560
2018	553	352	27	174	553
2019	546	391	26	128	545
2020	539	415	32	93	539
2021	533	435	34	63	533
2022	528	459	39	30	527
2023	522	484	31	7	523
2024	517	486	20	12	518
2025	512	491	18	3	512
2026	507	504	14	(11)[18]	507
2027	502	534	17	(50)	501

[16] Starting in 2017/18 Actuarially Determined Contribution (ADC) under GASB 75.
[17] Assumed paid directly to retirees by City.
[18] Draw down of trust for benefit payments.

Sensitivity Analysis

Sensitivity of the results is illustrated below for the 26-year funding contribution for the following healthcare trend sensitivity:

- Medical trend rate increased by 1/3 over the next 5 years, for example:
  From: 8.0%, 7.5%, 7.0%, 6.5%, and 6.0%
  To: 10.7%, 10.0%, 9.3%, 8.7%, and 8.0%
- Medical trend rate decreased by 1/3 over the next 5 years (but not below 5.25%), for example:
  From: 8.0%, 7.5%, 7.0%, 6.5%, and 6.0%
  To: 5.33% and 5.25% thereafter

	UAAL	Normal Cost	UAAL Pymt	ARC	ARC as % of Covered Pay[19]
Baseline	$ 5,353,087	$114,229	$452,007	$566,237	27.7%
Medical Trend next 5 yrs increased by 1/3	5,953,869	125,318	504,528	629,847	30.8%
Medical Trend next 5 yrs decreased by 1/3	4,929,433	106,487	414,971	521,458	25.5%

[19] Payroll for plan participants only.

SECTION 6
HEALTH PLAN SUMMARIES AND PREMIUMS

Medical Coverage

Medical plans offered by the City of Fort Bragg are described below. Open enrollment is conducted yearly for both employees and retirees.

1. Monthly 2015/16 REMIF Medical Premiums

	EPO $250	EPO $500	HSA $1,300	Blue Card PPO $250
Under Age 65:				
Single	$ 808.00	$ 699.00	$ 589.00	$ 808.00
Dual	1,696.00	1,468.00	1,235.00	1,696.00

2. Monthly 2016/17 REMIF Medical Premiums

	EPO $250	EPO $500	HSA $1,300	Blue Card PPO $250
Under Age 65:				
Single	$ 884.00	$ 767.00	$ 649.00	$ 884.00
Dual	1,854.00	1,610.00	1,360.00	1,854.00

3. Monthly 2015 and 2016 Hartford Premiums

	January 1, 2015	January 1, 2016
Over Age 65 and Eligible for Medicare:		
Single	$ 398.93	$ 428.04
Dual	797.86	856.08
Over Age 65 and Eligible for Medicare:		
RX Only Retiree	167.00	178.00

4. Medical Plan Provisions for Self-Funded and Hartford

	EPO $250	EPO $500	HSA $1,300	Blue Card PPO $250
Deductible	$250	$500	$1,300	$250
Office Visit Co-pay	$25/visit	$30/visit	10%	$25/visit
In-patient Hospital (In network)	No Charge	10%	10%	No Charge
Emergency Room	$100/visit	$100/visit	10%	$100/visit
X-ray and Lab	No Charge	10%	10%	No Charge
Rx	$10 generic $25 brand	$15 generic $30 brand	$10 generic $20 brand	$10 generic $25 brand

	Hartford	
Hospital Confinement Benefit	1st – 90th day	Medicare deductible / co-pay
	60 day Lifetime Reserve Period	Medicare co-pay
	After Lifetime Reserve, 365 days per lifetime	100%
Skilled Nursing Facility Care	First 20 days	$0 (covered by Medicare)
	21st – 100th day	Medicare co-pay
Hospice Care	Medicare Co-pay	
Outpatient Medical Expenses	Medicare Part B Deductible	Medicare deductible
	Other Medicare-approved amounts	Generally 20% (80% covered by Medicare)
	Clinical lab services	$0 (covered by Medicare)
	Part B Excess Charges	100%
Home Health Care	Medically Necessary skilled care and medical supplies	$0 (covered by Medicare)
	Durable Medical Equipment	Medicare deductible
	Other Medicare-approved amounts	20% (80% covered by Medicare)
RX	Deductible	$0
	Retail	30 day $5 generic/ $25 preferred/ $60 non-preferred
	Mail	90 day $8/$56/$165
	Specialty Drugs	33%

Dental Coverage

Dental coverage is provided through Delta Dental. Premiums effective July 1, 2015 – June 30, 2016 are $52, $88 and $131 for 1-person, 2-person and 3-person coverage respectively. Percentages of reasonable and customary charges paid under the dental plan are shown below. The yearly maximum covered amount is $1,500.

Category of Care	Percent Paid by Dental Plan (In Network)	Percent Paid by Dental Plan (Out of Network)
Preventative	100%	100%
Basic and Restorative	85%	80%
Prosthodontics	50%	50%
Orthodontics	50%	50%
	(Lifetime orthodontics max is $1,000)	

Vision Coverage

Vision coverage is provided through VSP Vision Care. Services covered by the Plan include WellVision eye examinations and treatments, prescription eyeglasses and contact lenses. A premium of $9.50 per member was assumed effective July 1, 2015.

Actuarial Assumptions – Life Expectancies

CalPERS (1997-2011) mortality rates after Service Retirement

Age at 6/30/2015	Male	Female
50	35.0	38.0
55	30.4	33.4
60	25.8	28.6
65	21.4	23.9
75	13.2	15.2
85	6.9	8.2
95	3.2	3.7

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), accounting standards for *other* (than pensions) *post employment benefits* (OPEB). The GASB position is that OPEB, like pension benefits, are a form of deferred compensation. Accordingly, GASB 45 requires recognizing OPEB (in the financial statement) *as employees render service* (and consequently earn the benefit), rather than when paid. This section summarizes GASB 45.

What Benefits are OPEB?

OPEB includes most post employment benefits, other than pensions, that employees are entitled to after leaving employment:

- Retiree medical
- Dental
- Prescription drug
- Vision
- Life insurance
- Outside group legal
- Long-term care
- Disability benefits outside a pension plan

OPEB does not include vacation, sick leave, COBRA, or ad hoc early retirement incentives, which fall under other GASB accounting statements.

Accounting Standards

Under GASB 45, pay-as-you-go accounting is replaced with accrual accounting. This is virtually identical to GASB's approach under Statement No. 27, with the key financial statement components being an Annual Required Contribution, an Annual OPEB Cost, and a Net OPEB Obligation.

- **Annual Required Contribution (ARC)**: GASB 45 doesn't require an agency to make up any shortfall (unfunded Actuarial Liability) immediately, nor does it allow an immediate credit for any excess Plan Assets. Instead, the difference is amortized over time. An agency's ARC is nothing more than the employer current Normal Cost (value of benefits being "earned" during a year), plus the amortized unfunded Actuarial Liability (or less the amortized excess Plan Assets). Simply put, the ARC is the value of benefits earned during the year plus (or minus) something to move the plan toward being on track for funding. GASB 45 allows actuaries to amortize the unfunded Actuarial Liability (or excess Plan Assets) on a level dollar or level percent of payroll basis. We believe most agencies will want to use a level percent of payroll amortization because it's more consistent with the budget process and how pension contributions are usually calculated. The ARC must be based on the underlying OPEB promise (as understood by the plan sponsor and employees).
- **Annual OPEB Cost (AOC)**: The first year an agency complies with the new standards, the AOC equals the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior

differences between the ARC and AOC.

- **Net OPEB Obligation (NOO)**: An agency's NOO is the historical difference between actual contributions made and the ARC. If an agency has always contributed the ARC, the NOO equals zero. However, an agency has not "made" the contribution unless it has been set aside *and* cannot legally be used for any other purpose.

Disclosure Requirements

Plan sponsors must disclose in their financial statement footnotes:

- Basic plan information
  - Plan type
  - Benefits provided
  - Authority under which benefits were established
- Plan funding/contribution policy information:
  - Required contribution rates for active members and employers shown in dollars or as a percent of payroll
- Plan Funded Status information:
  - AOC and the dollar contributions actually made
  - If the employer has a NOO, also
    - Components of the AOC
    - NOO increase or decrease during the year
    - End of year NOO
  - 3-year history of
    - AOC
    - Percent of AOC contributed during the year
    - End of year NOO

  Most recent year's plan Funded Status

  Actuarial methods and assumptions used to determine the ARC, AOC, and Funded Status.

In addition, plan sponsors must provide 3 years of historical required supplementary information:

- Valuation dates
- Actuarial asset values
- Actuarial Liability
- Unfunded Actuarial Liability (excess Plan Assets)

- Plan funded ratio
- Annual covered payroll
- Ratio of unfunded Actuarial Liability (excess Plan Assets) to annual covered payroll
- Factors that significantly affect comparing the above information across the years.

Defining the Plan

GASB 45 refers to the *substantive plan* as the basis for accounting. It may differ from the *written plan* in that it reflects the employer's cost sharing policy based on:

- Past practice or communication of intended changes to a plan's cost sharing provisions, or
- Past practice of cost increases in monetary benefits.

The substantive plan is the basis for allowing recognition of potential future plan changes. This approach requires entities to acknowledge the underlying promise, not just the written plan.

What if retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience? (This was a contentious issue during the statement drafting, with one of the seven board members dissenting from Board adoption of the final statement.) In general, GASB 45 requires recognition of the implied subsidy. However, if benefits are provided through a community rated plan (premium rates based on experience of multiple employers rather than a single employer), and the same premium is charged for active and retired participants, it is appropriate to value unadjusted premiums.

Actuarial Assumptions and Discount Rate Requirements

Under GASB 45, the actuary must follow current actuarial standards of practice, which generally call for explicit assumptions – meaning each individual assumption represents the actuary's best estimate.

GASB 45 also requires basing the discount rate on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on Plan Assets for funded plans. Since the source of funds for unfunded plans is usually an agency's general fund, and California and most other state law restricts what investments agencies can have in their general fund, unfunded plans will need to use a low (for example, 4% to 5%) discount rate. If an agency sets up a Trust and diversifies Trust Plan Assets, however, the discount rate might be much higher (such as 6%) depending on the Trust fund's expected long-term investment return.

Valuation Frequency Requirements and Small Plans

GASB 45 requires an actuarial valuation at least every two years for plans with more than 200 (active, inactive, and retired) members. Plans with fewer than 200 members will need a valuation every 3 years. In a significant departure from prior standards, though, GASB 45 allows plans with fewer than 100 members to elect a simplified measurement method not requiring an actuarial certification

Changes in the GASB Requirements

The Government Accounting Standards Board approved a new standard, GASB 75, on 6/2/15: effective for 2017/18 fiscal year. The new standard is similar to GASB 68, which became effective for the City retirement plans for the 2014/15 fiscal year. The new standard will require that the healthcare program's unfunded actuarial accrued liability be reflected on the City's balance sheet in the June 30, 2018 financial statements. If the plan is not being prefunded, the new standard will require the use of AA 20-year General Obligation Municipal Bond rate as of June 30 for valuation purposes. As of 6/30/2015 that rate was in the neighborhood of 3.80%.

Monthly Claims Costs

The City provides medical coverage through a REMIF pool for EPO250, EPO500, and HSA1300 plans before retirees are receiving Medicare and through the Hartford with Sapphire Rx for retirees receiving Medicare.

The AHP Cost Model™, which is based on Axene Health Partners, LLC's proprietary claims database, was used in the determination of age/ gender/ plan specific claims factors. Coverage offered by the City was run through the cost model to determine benefit values by age and gender. These benefit values were then used to develop the corresponding age / gender-based claims factors for the valuation.

Premium rates for each health plan were used in the claims cost projections. Current (FY 2015/16 and 2016/17) premiums, as reported by the City, were reviewed and deemed reasonable relative to benefits offered and the covered populations; however, these premiums were not audited against actual claims and we do not attest herein to their adequacy.

The sample monthly claims costs are shown below.

	7/1/15-6/30/16					
	EPO250		EPO500		HSA1300	
Age	Male	Female	Male	Female	Male	Female
35	$ 359	$ 587	$ 307	$ 506	$ 248	$ 425
45	486	627	417	542	345	458
55	782	787	679	684	579	585
64	1,164	1,010	1,021	883	885	762

	7/1/15-6/30/16			
	Hartford		Hartford Rx[20]	
Age	Male	Female	Male	Female
65	$ 300	$ 261	$ 125	$ 109
75	431	389	198	162
85	540	546	280	228

[20] Prorated based on Hartford premium.