

**TOWN OF PARADISE
COUNCIL AGENDA SUMMARY
Date: January 11, 2011**

AGENDA NO. 3(i)

ORIGINATED BY: Gina Will, Finance Director *gw*

REVIEWED BY: Charles L. Rough, Jr., Town Manager *CR*

SUBJECT: OPEB Actuarial Study

LEGAL REVIEW: __Yes __No __N/A

Dwight L. Moore, Town Attorney _____

RECOMMENDATION:

1. Authorize the Town Manager to enter into an agreement with North Bay Pensions to complete an Other Post-Employment Benefits (OPEB) actuarial study, and
2. Approve a supplemental budget adjustment of \$1,400 to 1010.25.4400.5213.100, or
3. Direct staff to consider other firms or options.

BACKGROUND:

The Governmental Accounting Standards Board (GASB) has introduced GASB 45 which requires government employers to measure and report the liabilities associated with other (than pension) post-employment benefits (OPEB) in their financial statements. GASB 45 was created to address the growing concern over the potential magnitude of government employer obligations for post-employment benefits.

GASB 45 requires the following disclosures on financial statements:

1. Information about the OPEBs: what are the benefits, who is eligible for the benefits, and how many employees and retirees are covered.
2. The actuarially determined liability for OPEB benefits and the assets (if any) that are available to offset the liability; also information about the actuarial methods and assumptions that were used to calculate the liability.
3. The portion of the liability that must be reported as an annual accounting expense on the employer's financial statements, and a cumulative accounting of the extent to which the plan sponsor actually makes contributions to offset its annual expense. (Until the Town is able to establish a trust to start funding part of this future liability, the obligation will grow each year on the Town's financial statements, but reporting of that liability does not impact the general fund.)

GASB has implemented the reporting of OPEB in three phases. The Town of Paradise is a phase three implementation employer and is required to make the proper disclosures within its financial statements ended June 30, 2010. Every other year the Town will be required to obtain a new actuarial study.

DISCUSSION:

Town staff sent a request for proposal to thirteen actuarial firms for the completion of an OPEB actuarial study. Out of the thirteen firms, eight responded with proposals for service. The proposed fees ranged from \$2,700 to \$10,000 for the basic actuarial report required for the Town's financial statements. The study will take about six weeks to complete. Following is a summary of the proposals received, and a copy of each proposal is attached for Councils review.

<u>Firm</u>	<u>Fee for basic report</u>	<u>Fee for optional Council presentation</u>
North Bay Pensions	\$2,700	\$1,080
United Health Actuarial Services	\$3,500	\$1,800-\$2,200
Total Compensation Systems, Inc.	\$4,300	\$1,600
The Epler Company	\$5,250	\$1,000
Bickmore Risk Services	\$6,000	\$600
Nyhart	\$6,600	\$800
Bartel Associates, LLC	\$9,000	\$1,000
Rael & Letson	\$10,000	\$250/hr

North Bay Pensions submitted a proposal for \$2,700. Nick Franceschine is the sole proprietor and has done dozens of GASB 45 valuations for California employers during the last five years. Staff contacted three references, Valley of the Moon Water District, Campbell Union School District and Santa Clara Unified School District. All three references were very happy with the services provided by North Bay Pensions. They each commented that he was readily accessible and helpful in completing the valuation. Staff's only concern is that Mr. Franceschine is the only employee and therefore doesn't have the support of colleagues for quality control purposes or for emergency backup. Due to the low price and quality references, staff is recommending the hire of North Bay Pensions for the GASB 45 valuation.

As indicated above, United Health Actuarial Services submitted a proposal for \$3,500. All of their references are for out of state clients. They appear to have little experience with CalPERS or California specific clients, so staff didn't pursue their references feeling that California specific experience is crucial.

Total Compensation Systems submitted a proposal for \$4,300 and has performed more than 450 retiree health valuation reports for public agencies in California. They have specialized in health actuarial services for California public employers for more than 20 years. Staff spoke to Kimberly Kerr, City Manager of the City of Lone about her experience working with Total Compensation Systems. Ms. Kerr indicated that she was very happy with the firm's timeliness and quality of work. Butte Community College District and Feather River Community College District were also listed as references.

FINANCIAL IMPACT:

Staff had budgeted \$3,000 for the study in 2009/10 and \$3,100 for 2011/12. \$1,300 is in the 2010/11 budget for consulting fees related to converting to monthly payroll. Since those funds are no longer needed, it is recommended that the Town use the \$1,300 and add a supplemental budget adjustment of \$1,400 to account 1010.25.4400.5213.100 to fund the actuarial study during 2010/11. This \$1,400 budget adjustment will add to the general fund deficit by that same amount. \$3,100 will be removed from the 2011/12 general fund budget.

**PROPOSAL TO PERFORM AN ACTUARIAL VALUATION
OF GASB 45 COSTS FOR:**

THE TOWN OF PARADISE

Submitted by: North Bay Pensions
550 Du Franc Ave.
Sebastopol, CA 95472
Contact: Nick Franceschine
1-800-594-4590

December 14, 2010

December 14, 2010

Ms. Gina S. Will
Director of Finance / Town Treasurer
Town of Paradise
5555 Skyway
Paradise, CA 95969

Re: Proposal for OPEB Actuarial Valuation, in Compliance With GASB 45

Ms. Will:

This letter and attachments constitute a proposal to perform an actuarial valuation of GASB 45 OPEB costs for the Town of Paradise.

The primary things that the Town wishes to learn are:

1. What are its total liabilities for the current retiree healthcare program? In other words, what is the value of all the OPEB (other post-employment benefits) promises that have been made to all current and former employees?
2. What will annual operating expense under GASB 45 be for the 2009-2010 and 2010-2011 fiscal years?

This actuarial valuation will answer those questions for you. My report will also include an executive summary, an illustrative 5-year projection of Annual OPEB Costs under GASB 45, and a 20-year projection of pay-as-you-go benefit costs. For this valuation, I will recommend actuarial assumptions for consideration and approval by Town staff. All of the services described in the Request for Proposals are included in this proposal, including the calculation of amounts to be disclosed under GASB 45 in the Town's financial statements.

I appreciate being given the chance to propose on this valuation, and look forward to working on it with you. Please call me at 1-800-594-4590 if you need additional information to evaluate this proposal.

Sincerely,

Nick Franceschine, F.S.A., F.C.A., M.A.A.A
Consulting Actuary

Proposal to Perform an Actuarial Valuation of GASB 45 Costs

Proposal Summary

The distinguishing points of this proposal are these: I offer depth of experience and friendly, easy-to-reach access for a very reasonable price.

I have performed dozens of GASB 45 valuations for California employers during the last 5 years. In recent years, performing valuations of post-retirement medical benefits has become the primary part of my business. I have been providing actuarial services for 32 years, operating my own business for the last 7 years.

As a sole proprietor, providing excellent service to my customers isn't a buzzword or a fad with me – it's how I stay employed. I am easily reachable by phone, email or FAX nearly anytime. My contact information is:

Nick Franceschine
North Bay Pensions
550 DuFranc Ave., Sebastopol CA 95472
1-800-594-4590
1-707-824-9600
FAX: 707-823-6189
Email: nick@northbaypensions.com or nicknbp@att.net

You'll find that my fees are very competitive. The reason is simple: I don't have the overhead costs of the big firms located in the San Francisco Bay area, Sacramento or Southern California.

1. Scope of Services

I will perform an actuarial valuation of the Town's OPEB obligations under GASB 45 as of June 30, 2010. For this valuation, I will recommend actuarial assumptions to the Town consistent with the CalPERS OPEB Assumptions Model, one of the most widely-used assumption sets used by public entities in California. As part of the valuation process, I will compute all the necessary amounts under GASB 45 accounting, including the Actuarial Accrued Liability, Normal Cost, Annual Required Contribution (ARC), Annual OPEB Cost, and Net OPEB Obligation.

If the Town decides to join the CalPERS OPEB trust, the CERBT (California Employers Retirement Benefit Trust), I will provide the required actuarial information and certification at no additional charge.

You indicated that the valuation results need to be completed before the end of January 2011. If I receive the necessary census data before the end of December 2010, I commit to meeting that deadline.

2. Key Information

Upon the award of this project, the first information I would like to receive is copies of the relevant MOU's and other specific descriptions of plan benefits, so that I will have a clear understanding of your benefits program. The information in the RFP was nearly complete enough, but there are some points I'd like to be clear about. Once I understand the program, I will provide a short list of employee/retiree census data that I will need to proceed.

3. Qualifications

I have 32 years of experience assisting clients with retirement plans here in Northern California. During the last 5 years, my practice has expanded to include valuations of post-retirement health care plans. I also provide a variety of other actuarial services for employers and individuals. You can examine my credentials and background in detail on my website: www.northbaypensions.com.

The actuarial calculations I will be performing for the Town will be done with my own proprietary software. I am not dependent on any other firms or organizations to deliver the services outlined in this proposal.

I have been operating my own business, North Bay Pensions, since 2003. Although I am a sole proprietor, I am allied with a number of other actuaries on the West Coast for peer review and support, on an as-needed basis. For this valuation project, I do not anticipate involving other actuaries or firms. All of the work for this project will be performed at my office in Sebastopol, California. I have no staff or employees.

I am a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries, and a member of the American Academy of Actuaries. I hold B.A. and M.A. degrees in Mathematics from Sonoma State University.

4. Cost Proposal

My fees for this valuation will be as follows. These are total "not-to-exceed" all-inclusive amounts:

Standard actuarial valuation of OPEB costs in compliance with GASB 45.
Determination of ARC and Annual OPEB Cost, as described above, and preparation of actuarial valuation report. Five-year projection of OPEB costs.

Twenty-year projection of pay-as-you-go costs. Printing of up to five copies of the actuarial report. **\$2,700.**

I will invoice this amount upon completion of the draft report. At that time, I will have completed all the valuation work contemplated in this proposal, except for actual printing of the reports, and the Town will have all the results of my work.

This fee amount includes all costs for preparing the actuarial valuation, including computer charges, labor costs, printing of the reports, etc.

My hourly billing rate is \$135 per hour. I am available for additional services that are related to this valuation, upon your request. Such additional services might include (a) a review of proposed changes to the MOU's that affect these benefits, or (b) additional valuations of the OPEB obligations to reflect suggested changes in the assumptions. I will participate in conference calls at no additional charge.

If the Town desires my attendance on-site for staff or board meetings or presentations, the Town agrees to pay an amount that reflects actual travel time and costs. According to Mapquest.com, it appears that travel time from here to the Town of Paradise is approximately 3 ½ hours each way, so it would require a commitment of at least 8 hours from me to visit the Town in person. 8 hours @ \$135 = \$1,080, so my fee to make a personal appearance at the Town of Paradise will be **\$1,080** per occurrence. As noted above, I will make myself available via conference call at no charge to respond to any questions that arise.

5. References

Recent experience on GASB 45 projects on which I performed 100% of the work:

A. Valley of the Moon Water District

P.O. Box 280

El Verano, CA 95433

Contact: Krishna Kumar, General Manager 707-996-1037

GASB 45 valuation performed: December 2009 through March 2010

B. Campbell Union School District

155 North Third Street

Campbell, CA 95008

Contact: John Moore, Director, Business Services 408-341-7000 ext. 6262

Period over which work performed: June through September 2009

C. Santa Clara Unified School District

1889 Lawrence Road

Santa Clara, CA 95051

Contact: Jim Luyau, Asst. Superintendent, Business Services 408-423-2024
Period over which work performed: June through August 2009

Additional references will be provided upon request.

Some other California public employers that I have performed GASB 45 valuations for:

- Berryessa Union School District, contact: Jack Owens
- Central Marin Sanitary District, contact: Hank Jen
- Evergreen School District, contact: Nelly Yang
- Luther Burbank School District, contact: Balbir Saini
- Metropolitan Education District, contact: Kathy Pearson
- Milpitas Union School District, contact: Phuong Le
- Morgan Hill Unified School District, contact: Jay Totter
- Mount Pleasant Elementary School District, contact: Laura Phan
- Mountain View Whisman School District, contact: Shaw-Lee Ouyang
- Mount View Sanitary District, contact: Mike Roe
- Oak Grove School District, contact Nina Correa
- Saratoga Union School District, contact: Rosanna Jeng
- Tiburon Fire District, contact: Leslie LaTorre
- Union School District, contact: Nan Wojcik

Other Declarations

This firm is an equal opportunity employer, and complies with the Civil Rights Act of 1964 and all applicable federal and state laws and regulations relating to equal employment opportunity.

I am available to begin work on this valuation at your convenience, and I look forward to working with you. Thank you again for allowing me to bid on this work.

December 15, 2010

Gina S. Will
Director of Finance/Town Treasurer
Town of Paradise
5555 Skyway
Paradise, CA 95969

Subject: OPEB Actuarial Study

Dear Ms. Will:

Thank you for the opportunity to submit a proposal for the GASB 45 valuation for the Town of Paradise (“Paradise”). The purpose of this letter is to provide the requested quote for services.

United Health Actuarial Services, Inc. (“UHAS”) provides actuarial and management consulting services for a wide range of individual and group medical and supplemental insurance products, and health & welfare actuarial consulting for both insured and self-insured plans. Our experienced team of professionals and network of subcontractors can provide a full range of health actuarial services.

A strategic decision was made in 2008 to expand our retiree health and welfare valuation services. With that in mind, UHAS invested in a comprehensive valuation system as well as the acquisition of personnel with a high level of expertise and training in retiree valuations. Our goal is to eventually become a well-respected and well-known retiree valuation consulting firm and expand our presence in this field many-fold.

UHAS is committed to client satisfaction and communication. Our business model allows us to perform high quality services for a fraction of the costs of the larger actuarial firms.

Within the RFP, Paradise has provided us with a prior valuation report for its retiree medical plan. We understand that the deadline for proposal submission is December 15th and the desired completion date is January 31st.

The proposal contains the following sections:

- Section 1: Firm Qualifications
- Section 2: Actuarial Capabilities
- Section 3: Work Plan
- Section 4: Proposal Fees

Please note that we have chosen to not fill out the questionnaire explicitly- rather we are addressing all of the requirements contained in the questionnaire within this proposal.

The enclosed proposal is a firm and irrevocable offer for ninety (90) days. Please note that UHAS has never been party to a lawsuit and is not currently engaged in any litigation. Furthermore, there are no conditions that may affect UHAS's ability to perform contractually and UHAS is not debarred, suspended or otherwise declared ineligible to enter into a contract by any federal, state or local public agency.

UHAS is independent of Paradise and is unaware of any potential conflicts of interest if it we to be selected to perform the requested work.

Please contact Ben Brandon at (732)425-3036 or via email at bbrandon@uhas.com if you have any questions regarding this proposal.

Sincerely,



Karl G. Volkmar, FSA, MAAA, FCA
Principal & Consulting Actuary

Section 1 – Firm Qualifications

Contact Information

All questions regarding this proposal should be directed to:

Ben Brandon, FSA, MAAA
Consulting Actuary
United Health Actuarial Services, Inc.
11 South Street
Old Bridge, NJ 08857
Phone: 732-425-3036
Fax: 732-360-2405
Email: bbrandon@uhasinc.com
Website: www.uhasinc.com

History of Firm

UHAS and its predecessor practice were founded nearly ten years ago with the goal of providing quality independent health actuarial services at a reasonable cost. We have been growing by all measures and could provide more details regarding this growth if requested.

A strategic decision was made in 2008 to expand our retiree health and welfare valuation services. With that in mind, UHAS invested in a comprehensive valuation system as well as the acquisition of personnel with a high level of expertise and training in retiree valuations. Our goal is to eventually become a well-respected and well-known retiree valuation consulting firm and expand our presence in this field many-fold.

Description of Firm

UHAS currently has 10 employees (5 of which are credentialed by the Society of Actuaries and the American Academy of Actuaries) and is well-positioned to handle a project of this scope. The culture at UHAS fosters a close-knit, family-like, working environment where teamwork and client satisfaction is valued above all else. Our business model allows us to perform high quality services for a fraction of the costs of the larger actuarial firms.

We provide actuarial and management consulting services for a wide range of individual and group medical and supplemental insurance products, and health & welfare actuarial and benefits consulting for both insured and self-insured plans. Our experienced team of professionals and network of subcontractors can provide the full range of health actuarial services, including:

- Compliance and statutory reporting
- Employer health & welfare benefits pricing and design
- Experience and financial analysis
- Expert witness and litigation support
- Implementation support
- Liaison and negotiation support
- Merger & acquisition support
- Participation in all aspects of company management
- Peer review
- Product/plan development and pricing/re-pricing
- Retiree/OPEB valuations
- Valuation and financial reporting and related support

UHAS is headquartered in Carmel, Indiana, but the work for Paradise will be managed out of our New Jersey office.

Firm's Experience with GASB 45

UHAS has performed or processed more than 20 retiree valuations for both private employers as well as government entities, and is quickly gaining experience with GASB 45 valuations. To date we have worked on the following GASB 45 projects:

- **Augusta Housing Authority (Augusta, GA)**
 - Responsible for all aspects of valuation including client communications, data collection, assumptions setting, valuation, accounting and report production.
 - Client has 150 employees
 - Required resources - Approximately 40 staff-hours
 - Final report delivered March 31, 2009
 - Have been retained for 2010 valuation - in progress
 - Contact: Charles Mason, Director of Finance, (706) 312-3117

- **City of Fulton (Fulton, NY)**
 - Performed all aspects of valuation including client communications, data collection, assumptions setting, valuation, accounting and report production.
 - Client has 160 employees
 - Required resources - Approximately 30 staff-hours
 - Final report delivered February 4, 2010
 - Contact: Jim Laboda, (315) 592-4340

- **Orleans Levee District (New Orleans, LA)**
 - Performed all aspects of valuation including client communications, data collection, assumptions setting, valuation, accounting and report production.
 - Client has 150 employees
 - Required resources - Approximately 40 staff-hours
 - Final report delivered June 2, 2010
 - Contact: Jim Bollinger, (504) 952-3269

- **East Jefferson Levee District (New Orleans, LA)**
 - Performed all aspects of valuation including client communications, data collection, assumptions setting, valuation, accounting and report production.
 - Client has 60 employees
 - Required resources - Approximately 20 staff-hours
 - Final report delivered June 2, 2010Contact: Jim Bollinger, (504) 952-3269

- **Subcontractor for Similar Projects**
 - Have run multiple GASB 45 valuations in a subcontractor capacity
 - City of Cedar Rapids (IA)
 - Des Moines ART (IA)
 - City of Kirksville (MO)
 - City of Ottumwa (IA)
 - Platte County (MO)
 - City of St. Joseph (MO)
 - Contact information available upon request

Town of Paradise
OPEB Actuarial Study
December 15, 2010
Page 6 of 16

Please note that large proportion of UHAS's work is with government entities. Currently, our largest client is the California Public Employees' Retirement System (CalPERS).

Please see our website (www.uhasinc.com) for additional information regarding our firm.

Section 2 – Actuarial Capabilities

Professional Staff Assigned

UHAS believes that Paradise's valuation can be easily performed by a 3-member team.

- **Ben Brandon, FSA, MAAA** – will be the lead actuary. In this role, he will be responsible for all client communications, project planning, and technical compliance with GASB 45 requirements. Mr. Brandon will be responsible for the timely flow of work, documentation, the accuracy and reasonableness of results, and the development of valuation and OPEB cost reports.

Background: Mr. Brandon has over 19 years of health care experience in employee benefits consulting and insurance-related roles; 10 of which were very focused on FAS 106 retiree medical valuations for large employers as well as employers subject to government regulation such as public utilities.

- **Karl Volkmar, FSA, MAAA, FCA** – will provide peer review and technical advice for this project.

Background: Mr. Volkmar has approximately 23 years of health actuarial expertise in consulting and insurance-related roles.

- **Jevon Brenneman** – will provide all actuarial support for this valuation. In this capacity, he will prepare demographic and claims data, perform the liability calculations on UHAS' in-house valuation system and summarize the results. Throughout this time, Mr. Brenneman will interact often with Mr. Brandon and Mr. Volkmar in order to coordinate the efficient flow of tasks and the review of results.

Background: Mr. Brenneman serves in the above-referenced role for a number of UHAS clients and has had considerable experience with the valuation system employed by UHAS.

Please see our website (www.uhasinc.com) for additional biographical information regarding Mr. Brandon and Mr. Volkmar.

PSAO Qualifications

All of UHAS' credentialed actuaries are in good standing with the Society of Actuaries ("SOA") and the American Academy of Actuaries ("AAA"). We are qualified to issue a Public Statement of Actuarial Opinion and undertake this project according to Precept 2 of the AAA's Code of Professional Conduct.

The professionals at UHAS are committed to providing outstanding actuarial work for our clients. Accordingly, our peer review process is strong. By the time actuarial reports and other client correspondence are delivered to our clients, they have been reviewed by at least two credentialed actuaries qualified as experts in that particular subject matter as well as other experienced staff members.

Section 3 – Work Plan

Approach to Services

UHAS strongly believes that an engaged client is a satisfied client. We will make every attempt to foster an atmosphere of partnership and trust. Furthermore, our valuations are performed and organized in such a way as to require minimal resources from our clients. Other than a couple of short meetings and the satisfactory delivery of requested data, the valuation will appear seamless to Paradise.

United Health Actuarial Services, Inc. (“UHAS”) would need to perform the following services in order to provide an actuarial study fully compliant with GASB 45 requirements within the given timeframe.

- **Facilitate initial consultation/discussions and data clarification** – UHAS is committed to performing outstanding actuarial work. In order to do so, it will be necessary to facilitate an open dialogue to ensure that our understanding of your current plans and programs is correct. Our discussions will cover data collection, current financial information, long-term goals, funding alternatives, etc. It will also include a discussion regarding actuarial cost methods, amortization methods, and key assumptions.
- **Analyze retiree claim costs** – This step will require an assessment of the reasonableness of current premium rates and the application of appropriate adjustments for the demographics of the future retiree population. If necessary, additional adjustments may be made based on widely accepted actuarial manuals.
- **Development of relevant actuarial assumptions** – UHAS will develop all necessary demographic and economic assumptions including discount rates, medical trend, turnover rates, retirement rates, mortality rates, etc., and will discuss these recommendations with Paradise.
- **Perform Valuation** – Once the census data is deemed clean and the actuarial assumptions are approved by Paradise, UHAS will develop the necessary liability and expense exhibits as required by GASB 45 using its in-house valuation system.

- **Produce Actuarial Report** – UHAS will provide an actuarial report showing the GASB 45 valuation results at the level of detail prescribed in the RFP. The report will provide a summary of the census, actuarial assumptions and plan descriptions.
- **Presentation of Results** – UHAS will meet with Paradise to explain the results and their implications.

Project Description and Timetable

The following outline describes the steps and the approach that UHAS will take in completing Paradise's valuation project:

- Initial meeting with Paradise (within 1st week of award)
 - Discuss timing and issues with data collection
 - ✓ Contacts and responsibilities
 - ✓ Census
 - ✓ Plan summaries for medical plans
 - ✓ Claims/Premiums history from carriers
 - ✓ Retiree contributions
 - ✓ Financial information such as investment returns for general funds, pay-as-you-go costs, etc.
 - Discuss nature of current plan and future status
 - Discuss requirements of GASB 45
 - ✓ Liabilities
 - ✓ Expense
 - ✓ Reporting
 - ✓ Valuation concepts
 - ✓ Actuarial cost methods
 - Discussion of funding approaches
 - ✓ Impact on expense if pre-funding
 - ✓ Funding alternatives
- Collect data (within 2-3 weeks of award)
 - Prepare census data
 - Verify and check for reasonability
 - Communicate and reconcile any discrepancies

- Review and finalize actuarial assumptions (within 3 weeks of award)
 - Economic assumptions
 - ✓ Discount rate (pre-funded? not pre-funded? partial?)
 - ✓ Medical inflation
 - ✓ Claims/premiums per capita costs
 - ✓ Contributions
 - Demographic assumptions
 - ✓ Mortality rates
 - ✓ Withdrawal rates
 - ✓ Retirement rates
 - ✓ Dependent status
 - ✓ etc.
 - Work involved will make efficient use of prior valuation and/or pension valuation report
 - Discuss with Paradise and obtain approval

- Perform valuation (within 4-5 weeks of award)
 - Load and check input files
 - Finalize programming
 - Run valuation system
 - Check test cases and reasonability of results
 - Summarize results

- Create financial exhibits and produce reports (within 6 weeks of award) to include:
 - Actuarial Accrued Liability breakdown
 - Calculation of Annual Required Contribution (“ARC”)
 - ✓ Normal cost (end of year)
 - ✓ Amortization of UAAL under current amortization methodology
 - ✓ Above amounts to be presented as a level dollar amount and as a level percentage of payroll
 - Net OPEB obligation
 - Executive summary
 - Actuarial Certification
 - All assumptions and results in sufficient detail to assist Paradise staff in producing CAFR.

- Recommendations for managing OPEB liability, as appropriate.
 - Glossary of terms.
- Final meeting with Paradise (within 6 weeks of award)

Data to be Requested

Every client is different and so is every valuation. Therefore, the specific data required may vary somewhat from one to another. However, there is a standard set of data that, in general, is necessary for all valuations. The following is sample of the types of items we would require:

1. Please provide an employee census that would include the following (If possible, the census data should reflect the beginning of the fiscal period covered by the valuation):
 - a. Active Employees
 - i. Unique Identifier such as an EE number or SSN
 - ii. Date of Birth (DOB)
 - iii. Gender
 - iv. Date of Hire
 - v. Spouse Indicator (Y/N)
 - vi. Spouse DOB
 - vii. Coverage Tier (S, 2P, F, etc.)
 - viii. Medical Premiums
 - ix. Medical Contributions
 - x. EE Group (Salaried, Hourly, etc. if applicable)
 - xi. Medical Plan Codes (if only one choice for each plan, we need to know if coverage was elected or not)
 - b. Inactive Employees
 - i. Unique Identifier such as an EE number or SSN
 - ii. Date of Birth (DOB)
 - iii. Gender
 - iv. Date of Hire
 - v. Date Of Retirement
 - vi. Status Indicator (Retiree, Widow, Disabled)
 - vii. Spouse Indicator (Y/N)
 - viii. Spouse DOB
 - ix. Coverage Tier (S, 2P, F, etc.)

- x. Medical Premiums
 - xi. Medical Contributions
 - xii. EE Group (Salaried, Hourly, etc. if applicable)
 - xiii. Medical Plan Codes (if only one choice for each plan, we need to know if coverage was elected or not)
 - xiv. Life Insurance Amounts if applicable
2. Please provide detailed plan provisions (summary plan documents) for all retiree benefits and for all subdivisions.
 3. Are the plans fully insured? Experience-Rated? Please provide the full set of premiums for the various coverages for 2008, 2009 and 2010 (if available).
 4. Are the plans self-insured? If so, who develops the premiums and contributions? Please provide the full set of premiums for the various coverages for 2008, 2009 and 2010 (if available). Please also provide the aggregate claims by EE groupings and the counts by EE group for the periods 2007, 2008, and 2009 if possible.
 5. Please provide the employee and retiree contributions paid for the various coverages for 2008, 2009 and 2010 (if available). Are the contributions different for widows and spouses? Are widows eligible for coverage? Are disabled individuals covered?
 6. Is there a written plan document for the retiree benefits that discuss such things as eligibility and benefit descriptions? Please forward.
 7. Financial Data
 - a. Does Paradise participate in the CalPERS pension plan? If so, please forward most recent actuarial report.
 - b. What rate of return does Paradise realize from its general fund? Is that where Paradise gets the funds for its retiree OPEB plans?
 - c. Does Paradise intend to pre-fund GASB 45 liability? Completely? If pre-funding, what funding vehicle will you use?
 - d. How much money was spent in 2007, 2008 and 2009 in providing retiree benefits? Please show costs to Paradise and the cost to the retirees separately.

- e. What is Paradise's fiscal year? For what fiscal period should this valuation represent?

Development of Assumptions

The following assumptions will be developed as follows:

1. **Turnover** – This assumption is usually developed via a study of the client's experience or by referencing the CalPERS pension valuation in the case of Paradise.
2. **Retirement age** – This assumption is usually dictated by the client's experience and the eligibility rules that govern the plan. Once again, we would review the CalPERS pension valuation assumptions and only change if necessary.
3. **Disability retirement age** – See (2) above
4. **Mortality** – This assumption is usually based on the pension valuation for the given population or a table that is generally accepted as per the actuary's judgment.
5. **Health care cost trend data for region** – This assumption is usually developed by reference to external actuarial and economic studies and models. UHAS generally refers to the Getzen model that is supported by the Society of Actuaries. .
6. **Amortization timeframe** – This assumption is normally set after an initial conversation with the client.
7. **Investment Return** – As prescribed by GASB 45, this represents the discount rate used in the valuation. These assumptions are usually based on an examination of the actual investment return on the client's assets used to fund its OPEB obligations. In the case of a pre-funded plan that has a separate fund, the returns on this particular fund would be reviewed. In the case of an unfunded plan, the client's actual return in its general funds would be examined instead. Usually, funded plans have returns in the 7-8% range and unfunded plans realize returns of 3-5%.

Additional Assumptions

Some other assumptions usually needed for OPEB valuations include claim costs, contribution rates, retirement rates, retiree benefits participation, plan selection (if more than one option exists), marriage assumption with spousal age set back/forward, and aging curves.

Section 4 – Proposal Fees

Hourly costs for the work required to complete the services defined herein, and for any work agreed to beyond the scope of these services, would be based on the following standard billable hourly rates (good through at least 2/28/11):

- Karl G. Volkmar, FSA, MAAA, FCA - \$340/hour
- Ben Brandon, FSA, MAAA - \$260/hour
- Jevon Brenneman - \$105/hour
- Administrative/Technical Staff - \$55/hour

Based upon the scope of work outlined within, the cost for the referenced services will not exceed **\$3,500**. We are assuming that all correspondence and communication, including the presentation of results will be done via remote conference call. We are not including travel costs in price quoted above. As we are not located in the state of California, we project a face-to-face meeting with the Town Council (if requested) would cost approximately \$1,800 to \$2,200 due to airfare, accommodations, car rental and time spent. Please note that our experience suggests that conference calls and web-based meetings serve the same purpose as face-to-face meetings for projects such as this and are more efficient on the basis of time and cost.

Although a discussion of alternative plan designs and various methods for managing retiree costs are included in the scope of this project, the actual valuation of these items is not. If after such discussions, Paradise wishes to pursue the valuation of the financial impact of these different scenarios, UHAS would either perform such analysis at the hourly rates specified above or per some other mutually agreeable arrangement.

Please note that no additional fees would be required for our use of proprietary data-sources or systems.

Let us know if you would like to discuss any alternative billing arrangements. We have the flexibility to establish any structure agreeable to both parties.

Response to Request for Quote

TOWN OF PARADISE ACTUARIAL SERVICES QUOTE

Presented to:

TOWN OF PARADISE

DECEMBER 14, 2010

Presented By:

Total Compensation Systems, Inc.
a California Corporation

Geoffrey Kischuk
President
5655 Lindero Canyon, #223
Westlake Village, CA 91362
Phone: (818) 707-7314
Fax: (818) 707-7325
Email: totcomp@aol.com

Cover Letter

Dear Ms. Will,

We appreciate the opportunity to provide this proposal. TCS has been specializing in health actuarial services for California public employers for more than 20 years. In that time, we have performed retiree health valuation services for more than 450 public employers. We believe we have far more experience in this area than any other actuarial firm of any size.

Due to our experience, GASB sought our input as they developed GASB 43 and 45. We have given dozens of seminars on GASB 43/45 and have been asked to assist various State agencies in developing instructions for implementing GASB 43/45 requirements.

The extensive experience of TCS in retiree health consulting for California public employers offers several important benefits:

- Direct experience with a wide variety of approaches for managing the liabilities associated with retiree health benefits.
- Specific knowledge of how a particular City's retirement rates, termination rates and other factors vary compared with other types of public employers.
- Extensive experience with common data issues related to demographic information public employers.
- An extensive database to assist in setting key assumptions. For example, TCS conducts medical trend analyses to assess medical trend expectations. Setting trend assumptions without regard to their cyclical nature and long-term economic constraints can result in liabilities that are double realistic liabilities.
- Extensive experience communicating complex retiree funding issues with employee groups, management, governing boards and other affected groups.
- Specific knowledge of Government Code, Constitution and other statutory and regulatory issues specific to California public employers.

I am authorized to bind TCS and will serve as the contact for this RFP.

Sincerely,

Geoffrey L. Kischuk
President
Total Compensation Systems, Inc.
A California Corporation

Vendor Company Data

1. *a. Brief history of firm.*

TCS began operation in 1988. Since the beginning, TCS has specialized in health actuarial services for California public employers. Located in Westlake Village, TCS serves the entire state of California.

b. Principal officers.

Geoffrey L. Kischuk is President of TCS and performs all key actuarial functions. Key support staff include Director of Operations Laura Solano, Director of Actuarial Services Brenda Sánchez and programmer James Elwell. TCS also has staff to provide critical office support and assistance.

2. *How the study will be conducted?*

Because TCS specializes in providing services to public agencies, we are very familiar with the environment in which the Town of Paradise operates. We are intimately familiar with GASB 43 and 45, relevant Actuarial Standards of Practice and state regulatory issues.

The following approach will be used in providing the requested services.

1. Obtain from the Town benefit description materials, including relevant sections of collective bargaining agreements, HR policies, etc. to obtain information about eligibility, duration and extent of the employer's commitment to pay for retiree health benefits, etc.
2. Based on the above, request and obtain participant data from the Town.
3. If desired, discuss with the Town key actuarial assumptions, methodology and elections under GASB 43 and 45. These include a discussion of amortization method, normal cost calculation election, asset smoothing decision, etc. In addition, there should be a discussion of investment expectations for "plan assets" to enable a prudent choice of interest discount assumption.
4. Valuation is run and preliminary results are presented. Questions, etc. are resolved.
5. Modify valuation, if necessary

Final valuation report prepared. Work with the Town and auditor to make sure all required information is available in a format suitable for GASB 43 and 45 compliance.

Schedule

We are committed to meeting the Town's time schedules and will work with employers to ensure that the project is completed within any time constraints.

The timetable shown below is what we would expect for a typical study.

Task	Proposed Timeline
Request/Receive Data from the Town	Week 1
Analyze Demographic Information	Week 2 & 3
Discuss Key Assumptions	Week 4
Run Valuation and Generate Preliminary Consulting Report	Week 5 & 6
Discuss results with The Town	Week 6 or 7
Adjust Valuation if needed	Week 7 or 8

As summarized above, once required information is provided, it will take about two weeks to review all documents and analyze demographic information to obtain information about average hire age and retirement age by employee classification. This process varies in length partially because we apply various tests against participant records to identify potential errors. Resolving errors may take time.

After reviewing and analyzing information, a discussion may be desired to discuss key assumptions. The Town may take an indefinite amount of time finalizing decisions on assumptions, methods, elections, etc. This period of time may be needed for internal employer discussions, additional analysis to obtain more or better information to support certain assumptions, etc.

Once decisions have been made on assumptions, methods, etc., it will take about two weeks to run the valuation and generate a preliminary consulting report. After that, the remaining time will be dictated by the time needed to discuss results with the Town. If the valuation needs to be adjusted, this could take an additional week.

References. A full list of clients is included below. Following are some recent clients we have worked with.

1. Name of Organization: Butte Community College District

Address: 3536 Butte Campus Drive, Oroville, Ca 95965

Phone: 530-879-6154

Contact Person: Trevor Stewart, Director of Business Services

Description of Service: Valuation of Post-Employment Benefits

2. Name of Organization: Feather River Community College District

Address: 570 Golden Eagle Avenue, Quincy, Ca 95971

Phone: 530-283-0202

Contact Person: Cameron Abbott, Director Human Resources

Description of Service: Valuation of Post-Employment Benefits

3. Name of Organization: City of Ione

Address: 1 E. Main Street, Ione, Ca 95640

Phone: 209-274-2412

Contact Person: Kimberly Kerr, City Manager

Description of Service: Valuation of Post-Employment Benefits

Following is a list of California public agencies for which we have performed one or more valuations:

ABC Unified School District
Acalanes Union High School District
Adelanto Elementary School District
Albany Unified School District
Alisal Elementary School District
Allan Hancock Joint Community College District
Alpine County Office of Education
Alpine Unified School District
Alta Loma Elementary School District
Alum Rock Union Elementary School District
Alvord Unified School District
Amador County Unified School District
Amador County Office of Education
Amador Water Agency
American River Flood Control District
Anaheim Union High School District
Anderson Union High School District
Antelope Valley Community College District
Antelope Valley – East Kern Water Agency
Arcadia Unified School District
Arcata Elementary School District
Arcohe Union School District
Armona Union Elementary School District
Auburn Union Elementary School District
Azusa Unified School District
Baldy View ROP
Banning Unified School District
Banta Elementary School District
Barstow Community College District
Bassett Unified School District
Bay Area Rapid Transit District (BART)
Bear Valley Unified School District
Bella Vista Elementary School District
Belmont – Redwood Shores School District
Berkeley Unified School District
Big Bear City Community Services District
Blue Lake Union School District
Bonny Doon Union Elementary School District
Brawley Elementary School District
Burbank Unified School District
Burnt Ranch Elementary School District

Butte Valley Unified School District
Butte - Glenn Community College District
Cabrillo College Foundation
Cabrillo Community College District
Cachuma Operations and Maintenance Board
Calexico Unified School District
Calistoga Joint Unified School District
Camarillo Healthcare District
Capistrano Unified School District
Carmichael Water District
Carpinteria Sanitary District
Cascade Union Elementary School District
Castaic Union School District
Castro Valley Unified School District
Central Elementary School District
Central Union School District
Ceres Unified School District
Cerritos Community College District
Chabot-Las Positas Community College District
Chaffey College
Charter Oak Unified School District
Chatom Union School District
Chino Valley Unified School District
Chualar Union School District
Cinnabar School District
Citrus Community College District
City of Adelanto
City of Arcadia
City of Arcata
City of Bellflower
City of Colton
City of Downey
City of Elk Grove
City of Emeryville
City of Folsom
City of Garden Grove
City of Glendora
City of Hawthorne
City of Industry
City of Ione
City of Irwindale
City of La Cañada Flintridge
City of La Palma
City of La Puente
City of Lawndale
City of Loma Linda
City of Los Banos

City of Malibu
City of Modesto
City of Monrovia
City of Morro Bay
City of Norwalk
City of Palm Springs
City of Palos Verdes Estates
City of Porterville
City of Rialto
City of San Clemente
City of San Pablo
City of Scotts Valley
City of Signal Hill
City of Simi Valley
City of Solvang
City of Sparks
City of Tustin
Claremont Unified School District
Cloverdale Unified School District
Clovis Unified School District
Coachella Valley Unified School District
Coalinga-Huron Unified School District
Coast Community College
Coastline ROP
Colfax Elementary School District
College of Marin
College of the Desert
College of the Redwoods
College of the Sequoias
College of the Siskiyous
Colton Joint Unified School District
Columbia Elementary School District
Community Development Commission of the County of Los Angeles
Compton Community College District
Compton Creek Mosquito Abatement District
Conejo Valley Unified School District
Contra Costa County Office of Education
Contra Costa Special Education Local Plan Area
Corcoran Joint Unified School District
Corning Union Elementary School District
Corona-Norco Unified School District
Cottonwood Elementary School District
County of San Benito
Cucamonga Elementary School District
Culver City Unified School District
Cuttan Elementary School District
Cupertino Unified School District

Cypress School District
Davis Joint Unified School District
Del Norte County Office of Education
Del Norte Unified School District
Del Paso Manor Water District
Delano Union Elementary School District
Denair Unified School District
Desert Healthcare District
Desert Sands Unified School District
Dixon Unified School District
Duarte Unified School District
Ducor Union School District
Durham Unified School District
East Side Union High School District
East Whittier City School District
Eastside Union School District
Eden Area ROP
El Camino Community College District
El Rancho Unified School District
El Segundo Unified School District
Elk Grove Unified School District
Emery Unified School District
Enterprise Elementary School District
Escalon Unified School District
Esparto Unified School District
Etiwanda School District
Eureka City Schools
Evergreen Elementary School District
Fairfax School District
Fall River Joint Unified School District
Feather River Community College District
Ferndale Unified School District
Fontana Unified School District
Foothill-De Anza Community College District
Forest Hill Union School District
Forestville Union School District
Fortuna Union High School District
Fountain Valley School District
Fowler Unified School District
Fremont Unified School District
Fremont Union High School District
Freshwater Elementary School District
Fresno Unified School District
Fullerton Joint Union High School District
Galt Joint Union Elementary School District
Garfield School District (Humboldt)
Garvey Elementary School District

Gateway Unified School District
Gavilan Joint Community College District
Glendale Community College District
Glenn County Office of Education
Goleta West Sanitary District
Grant Joint Union High School District
Grenada Elementary School District
Grossmont-Cuyamaca Community College District
Guerneville Elementary School District
Hacienda La Puente Unified School District
Hanford Joint Union High School District
Happy Camp Union Elementary School District
Hart – Ransom Academic Charter School
Hart – Ransom Union Elementary School District
Hartnell Community College District
Hayward Unified School District
Hemet Unified School District
Hillsborough City School District
Hope Elementary School District
Housing Authorities of the City and County of Fresno
Hughson Unified School District
Humboldt Bay Harbor Recreation and Conservation District
Humboldt County Office of Education
Humboldt Transit Authority
Igo-Ono-Platina Elementary School District
Imperial Community College District
Indian Springs Elementary School District
Jacoby Creek Charter School (Northern Humboldt UHSD)
Jefferson Elementary School District – San Joaquin
Jefferson Elementary School District – San Mateo
Jefferson Union High School District
Junction Elementary School District
Kelseyville Unified School District
Kerman Unified School District
Kern Community College District
Kernville Union School District
King City Joint Union High School District
King City Union Elementary School District
Kings County Office of Education
Kings River – Hardwick Union School District
Kit Carson Union School District
Knights Ferry Elementary School District
Konocti Unified School District
La Habra City School District
Lafayette School District
Lake County Office of Education
Lake Elsinore Unified School District

Lake Tahoe Community College District
Lakeport Unified School District
Lakeside Union School District
Lancaster School District
Las Lomas Elementary School District
Las Virgenes Municipal Water District
Las Virgenes Unified School District
Lassen Community College District
Lassen County Office of Education
Le Grand Union Elementary School District
Le Grand Union High School District
Lemoore Union High School District
Lemoore Union School District
Lewiston Elementary School District
Liberty Union High School District
Lincoln Unified School District
Linden Unified School District
Live Oak School District
Live Oak Unified School District
Long Beach Community College District
Loomis Union School District
Los Angeles County West Vector and Vector-Borne Disease Control District
Los Gatos – Saratoga Joint Union High School District
Los Gatos Union School District
Lucerne Elementary School District
Madera County Office of Education
Magnolia School District
Marin County Office of Education
Mark West Union School District
Martinez Unified School District
Marysville Joint Unified School District
McKinleyville Community Services District
McKinleyville Union School District
Mendocino – Lake Community College District
Mendocino Unified School District
Mendota Unified School District
Menlo Park City Elementary School District
Merced City School District
Merced Community College District
Merced County Office of Education
Merced Union High School District
Metropolitan Cooperative Library System
Mid Peninsula Open Space District
Mid Placer Public Schools Transportation Authority
Middleton Unified School District
Millbrae School District
Milpitas Unified School District

Mission Union School District
Mission Valley Regional Occupational Program
Montecito Sanitary District
Montecito Water District
Monterey County Schools Insurance Group
Monterey Peninsula Community College District
Monterey Peninsula Unified School District
Moorpark Unified School District
Moraga Elementary School District
Moreland School District
Morongo Unified School District
Mount Diablo Unified School District
Mount Pleasant Elementary School District
Mount San Antonio Community College District
Mount San Jacinto Community College District
Mount Shasta Union School District
Mountain View Elementary School District
Mountain View – Los Altos High School District
Muroc Joint School District
Murrieta Valley Unified School District
Napa County Office of Education
Natomas Unified School District
Nevada Joint Union High School District
New Hope Elementary School District
New Jerusalem Elementary School District
Newcastle Elementary School District
Newman Crows Landing Unified School District
North Cow Creek Elementary School District
North Monterey County Unified School District
North Orange County Community College District
North Orange County Regional Occupational Program
North Sacramento Elementary School District
North Tahoe Fire District
Northern Humboldt Union High School District
Norwalk – La Mirada Unified School District
Oakland Unified School District
Oakdale Joint Unified School District
Oakley Union School District
Ocean View School District (Ventura County)
Oceanside Unified School District
Ohlone Community College District
Old Adobe Union School District
Ontario- Montclair School District
Orange County Department of Education
Orange Unified School District
Orcutt Union School District
Oxnard Elementary School District

Oxnard Union High School District
Pacheco Elementary School District
Pacific Grove Unified School District
Pacific Union School District
Pajaro Valley Unified School District
Palm Springs Unified School District
Palmdale School District
Palo Alto Unified School District
Palo Verde Community College District
Palo Verde Unified School District
Palomar Community College District
Palos Verdes Peninsula Unified School District
Paradise Elementary School District
Pasadena Area Community College District
Paso Robles Public Schools
Patterson Joint Unified School District
Perris Elementary School District
Perris Union High School District
Piedmont City Unified School District
Pioneer Union School District
Pittsburg Unified School District
Placer County Office of Education
Planada School District
Pleasant Valley School District
Plumas County Office of Education
Plumas Unified School District
PSA2 Area Agency on Aging
Rancho Santiago Community College District
Reclamation District 1000
Redding Elementary School District
Redlands Unified School District
Reef-Sunset Unified School District
Rialto Unified School District
Richfield Elementary School District
Rim of the World Unified School District
Rincon Valley Union Elementary School District
Rio Dell Elementary School District
Rio Hondo Community College District
Rio School District
Ripon Unified School District
Riverbank Unified School District
Riverdale Unified School District
Riverside Community College District
Riverside Transit Agency
Roberts Ferry Elementary School District
Robla School District
Rocklin Unified School District

Romoland School District
Rosedale Union Elementary School District
Roseland School District
Roseville City Elementary School District
Ross Elementary School District
Rowland Unified School District
Sacramento City School District
Saddleback Valley Unified School District
Salinas City Elementary School District
Salinas Union High School District
San Andreas Sanitary District
San Benito County Office of Education
San Benito County Water District
San Bernardino City Unified School District
San Bernardino Community College District
San Bernardino County Superintendent of Schools Office
San Bruno Park School District
San Francisco Community College District
San Francisco Unified School District
San Gabriel Valley Mosquito and Vector Control District
San Gabriel Valley Water District
San Jacinto Unified School District
San Joaquin County Office of Education
San Joaquin Delta Community College District
San Jose/Evergreen Community College District
San Juan Unified School District
San Lorenzo Valley Unified School District
San Luis Coastal Unified School District
San Luis Obispo County Superintendent of Schools
San Mateo Community College District
San Mateo County Office of Education
San Mateo - Foster City School District
Santa Ana Unified School District
Santa Barbara Community College District
Santa Clarita Community College District
Santa Cruz City Schools
Santa Cruz County Office of Education
Santa Cruz Metropolitan Transit District
Santa Monica Community College District
Santa Monica – Malibu Unified School District
Santa Rita Union School District
Saugus Union School District
Savanna Elementary School District
Scotts Valley Unified School District
Selma-Kingsburg-Fowler County Sanitation District
Sequoia Union High School District
Shasta County Office of Education

Shasta Union Elementary School District
Shasta Union High School District
Shasta-Tehama-Trinity Joint Community College District
Shasta-Trinity Regional Occupational Program
Silver Valley Unified School District
Simi Valley Unified School District
Siskiyou County Superintendent of Schools Office
Siskiyou Union High School District
Snowline Joint Unified School District
Solano County Community College District
Solano County Office of Education
Soledad Unified School District
Sonoma County Library District
Soquel Union Elementary School District
South Bay Union Elementary School District
South Fork Union School District
South Orange County Community College District
Southern Humboldt Joint Unified School District
Southern Trinity Unified School District
Southwestern Community College District
St. Helena Unified School District
Stanislaus County Office of Education
Stellar Charter School (Redding SD)
Stockton Unified School District
Sulphur Springs Union School District
Sunnyvale Elementary School District
Sunnyside Union School District
Susanville School District
Sutter County Office of Education
Sylvan Union Elementary School District
Tahoe-Truckee Sanitation Agency
Tahoe-Truckee Unified School District
Temple City Unified School District
Torrance Unified School District
Town of Fairfax
Tracy Unified School District
Trinity Alps Unified School District
Trinity County Office of Education
Trinity Union High School District
Truckee Fire Protection District
Truckee Sanitary District
Trust for Retirees of Associated California Schools
Turlock Unified School District
Tustin Unified School District
Twin Hills Union School District
Upper Lake Union Elementary School District
Upper Lake Union High School District

Val Verde Unified School District
Valley Home Elementary School District
Valley Sanitary District
Ventura County Community College District
Victor Valley Community College District
Victor Valley Elementary School District
Victor Valley Union High School District
Walnut Creek Elementary School District
Washington Charter School (Desert Sands USD)
Washington Unified School District
Washington Union High School District
Washington Union School District
Weaverville Elementary School District
Weed Union Elementary School District
West Hills Community College District
West Kern Community College District
West Sonoma Union High School District
West Valley-Mission Community College District
Western Placer Unified School District
Westside Union School District
Wheatland Elementary School District
William S. Hart Union High School District
Williams Unified School District
Wilsona School District
Winters Joint Unified School District
Winton School District
Woodlake Union Elementary School District
Woodlake Union High School District
Woodland Joint Unified School District
Yolo County Office of Education
Yorba Linda Water District
Yosemite Community College District
Yreka Union Elementary School District
Yreka Union High School District
Yuba Community College District
Yuba County Office of Education
Yucaipa-Calimesa Unified School District

A list of individuals assigned to the study.

Geoffrey L. Kischuk, FSA, MAAA, FCA will conduct the studies with assistance from Brenda Sánchez and from other support personnel to the extent necessary.

3. Exceptions and notes.

The valuation would be 'as of' a date near the census date. GASB 45 includes instructions on how to calculate accounting entries as of the statement date for a valuation date not coincident with the statement date.

TCS maintains liability coverage that is available through California admitted insurers for independent actuarial consultants providing retiree health valuation services to public agencies. The availability, scope and terms of these coverages vary over time and are not typically negotiable. We will use our best efforts to obtain and maintain the requested coverage under the terms specified in the RFP

4. Fees.

TCS charges fixed, guaranteed fees. To keep agency costs down, we do not include any on-site meetings in our fee. Studies can easily be performed without the need for any on-site meetings. However, if a meeting is desired for employee meeting, etc. we charge a flat fee of \$1,600. This fee includes all meeting preparation, travel time, travel expenses, as well as the meeting. Employer may hold more than one meeting on the same day for this fee.

Our fee for the requested service is \$4,300. The fee for a valuation using alternative assumptions is \$1,400.

Should additional services be requested, we would propose a flat fee for those services based on the nature of the work requested.



450 B Street, Suite 750
San Diego, CA 92101-8002
Telephone (619) 239-0831
Facsimile (619) 239-0807
www.eplercompany.com

December 13, 2010

PRIVATE

Ms. Gina S. Will
Director of Finance/Town Treasurer
Town of Paradise
5555 Skyway
Paradise, CA 95969
gwill@townofparadise.com

Re: Proposal to Provide Actuarial Valuation Services

Dear Ms. Will:

The Epler Company is pleased to submit our proposal to provide an OPEB Actuarial Study for the Town of Paradise (the "Town"). The Town is seeking an actuarial valuation of its retiree health benefits program. This actuarial valuation will provide the information necessary to comply with Government Accounting Standards Board Statements No. 43 & 45 regarding accounting for Other Post-Employment Benefits.

Our proposal addresses our firm's qualifications, our proposed staffing and our approach to providing actuarial services including a sample schedule. We have also included our cost proposal. Our cost proposal is a firm irrevocable offer and remains valid for acceptance through July 31, 2011.

We look forward to the opportunity to work with the Town. If you should have any questions regarding our proposal or qualifications, please feel free to contact me at (619) 239-0831.

Thank you for your consideration on this important engagement.

Sincerely,
THE EPLER COMPANY

Marilyn K. Jones, EA, ASA, MAAA, FCCA
Vice President & Actuary

MKJ:rl
Enclosure

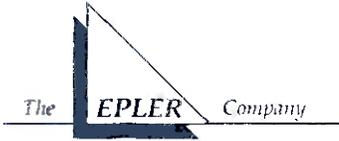
**Proposal to Provide
OPEB Actuarial Study
for
The Town of Paradise**



Submitted by:

**The Epler Company
450 B Street, Suite 750
San Diego, CA 92101-8002
(619) 239-0831 Phone
(619) 239-0807 Fax**

December 13, 2010



**Proposal to Provide
OPEB Actuarial Study
for
The Town of Paradise**

Table of Contents

<u>Title</u>	<u>Page</u>
Section 1. The Epler Company’s Qualifications	1
Section 2. Proposed Staffing	4
Section 3. Proposed Services & Our Approach.....	7
Section 4. Cost Proposal.....	10
Section 5. Appendices	11
Appendix A Organizational Chart	
Appendix B Representative Public Clients	
Appendix C Insurance Documentation	
Appendix D Data Request for GASB Actuarial Valuation	

Section 1. The Epler Company's Qualifications

The Epler Company is an independent, full-service actuarial and benefits consulting firm, headquartered in San Diego at the following location:

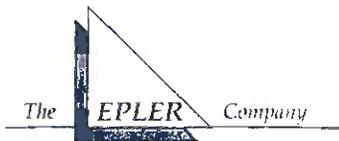
The Epler Company
450 B Street, Suite 750
San Diego, CA 92101
Phone: (619) 239-0831
Fax: (619) 239-0807
Internet Address: www.eplercompany.com

We have been in business for over 35 years as a privately held corporation, and are licensed to conduct business by the State of California. We specialize in providing actuarial, benefits and compensation consulting services for both private and public sector clients.

Our firm is a woman-owned business. The firm is owned by Jane Barry who has been with the firm for over 25 years and President and Director of the firm for more than 20 years. We maintain a quality staff of approximately 16 actuaries and benefit specialists who have been providing actuarial and benefit consulting services on average for over 15 years. An organizational chart can be found in **Appendix A**. All employees have significant experience working with public entities as approximately 50% of our client work is for government entities. Their expertise includes measuring retirement plan and retiree health plan liabilities, providing required accounting information under FASB and GASB and consulting on the design and funding options for these plans. In addition to participation in related professional organizations, all professional staff are required to annually meet continuing education requirements. The firm collectively maintains the following professional designations:

- Enrolled Actuary (2)
- Member, Society of Actuaries (1)
- Member, American Academy of Actuaries (1)
- Member, Conference of Consulting Actuaries (1)
- Member, Western Pension & Benefits Conference (2)
- Group Insurance License (1)

The Epler Company has worked with public sector clients in and outside of California for over 35 years and understands the unique needs and requirements of the public sector. In many

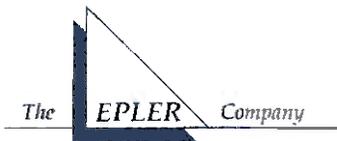


instances, our firm interfaces either directly or indirectly with the elected governing board or a subcommittee of the board.

In addition to consulting with clients in the retirement plan area since the firm's inception, our firm has been consulting with clients in the area of assessing Other Post-employment Benefit (OPEB) liabilities since the issuance of the Financial Accounting Standard Board Statement (FASB) No. 106 Exposure Draft in 1986, which required accounting for postretirement health benefits by the private sector. Since the issuance of FASB 106, many public entities have periodically evaluated their comparable liabilities to either comply with state and other requirements such as Assembly Bill 3141, to assess funding requirements or to measure the impact of benefit and cost sharing changes to their retiree health plans. Since the issuance of the proposed Government Accounting Standard Board (GASB) Statements No. 43 & 45 requirements in 2003, we have assisted public entities with determining and managing their OPEB liabilities under GASB 43 & 45.

In 2005, The Epler Company was selected to be one of three preferred actuarial firms to provide GASB 43 & 45 consulting services to members of the California Community College League. In 2006, The Epler Company was named the sole recommended actuary to provide GASB 43 & 45 consulting services to all public schools within the San Diego County Department of Education. In addition to assessing OPEB liabilities and GASB 43 & 45 impact, we will often consult with our clients on the design, administration and financing of both their active and retiree health plans. In 2007, The Epler Company began working with employers seeking to comply with the California Employers' Retiree Benefits Trust (CERBT).

All client work is subject to an internal quality review process and our clients can attest to the quality of our work. **Appendix B** of the proposal provides a representative list of public sector clients that we have worked with in the recent years. This appendix indicates those clients for whom we have recently performed GASB 43 & 45 actuarial valuations and related consulting services. We have provided on the following page, three references for public entities for whom we have recently performed GASB 43 & 45 actuarial valuations and related consulting services similar to the services required by the Town. If additional references are desired, we can provide them at the Town's request.



City of Coronado: GASB 45 Actuarial Valuation/CalPERS Compliant
Contact: Ms. Christine Zinn
1825 Strand Way
Coronado, CA 92118
Phone: (619) 522-7306

City of Carson: GASB 45 Actuarial Valuation/CalPERS Compliant
Contact: Ms. Trinidad Catbagan, Finance Manager
701 E. Carson Street
Carson, CA 90749
Phone: (310) 952-1746

City of La Mesa: GASB 45 Actuarial Valuation/CalPERS Compliant/
City Council Presentation
Contact: Ms. Sarah Waller-Bullock, Finance Director
8130 Allison Avenue
La Mesa, CA 91941
Phone: (619) 667-1122

Our firm is independent of the Town as defined by generally accepted auditing standards. We typically work on a fee-for-service basis to avoid any conflict-of-interest that can arise when a firm is paid by commissions from related healthcare plan vendors/providers. We would have no conflict-of-interest providing actuarial valuation and other consulting services as we would provide an independent review and valuation of existing or proposed plans and would make no decisions regarding plan offerings or providers for the Town. In addition, we do not have any relationship with the Town's consultants, plan vendors/providers or auditors. If engaged by the Town, any conflict-of-interest that may arise will be brought to the attention of the Town, in writing, as soon as it is identified.

Our firm adheres to the highest professional standards when performing and delivering work to our clients. Our dedicated group of experienced professionals have developed and maintain quality processes that are followed in all aspects of their work. Our work is supported by the necessary computer hardware and software. We maintain a back-up server to ensure round-the-clock access and perform nightly backups of all our systems. Our firm carries the appropriate business insurance coverages including a \$1,000,000 professional/liability coverage which is standard in the industry and legally required coverages such as workers compensation, disability and unemployment insurance. Our insurance documentation is provided in **Appendix C**.

Section 2. Proposed Staffing

We have assigned a team of full-time experienced professionals to work on this assignment. We have the flexibility to shift resources among client assignments as the need arises. The assigned team for the Town will be available to the extent necessary to complete the assignment. Additional resources will be utilized, if necessary, for the completion of the engagement. From the onset of the engagement, the Town will have direct access to the most senior management of the firm to ensure that quality and timely services are delivered and to address any issues that arise during the course of the engagement. Marilyn Jones, our chief actuary, will be the supervising actuary and the primary consultant working with the Town on the project. Her contact information is as follows:

- Contact: Marilyn K. Jones
- Title: Vice President & Actuary, ASA, MAAA, EA
- Address: 450 B Street, Suite 750, San Diego, CA 92101 - 8002
- Phone: (619) 239-0831
- Fax: (619) 239-0807
- Email: mjones@eplercompany.com

The qualifications for the individuals assigned to the team are listed in their biographies on the following pages and their roles on the assignment are outlined in the table below:

<u>Team Member</u>	<u>Role & Responsibilities</u>
Jane Barry	Relationship Manager: Ms. Barry’s primary responsibility will be to ensure that the Town is satisfied with the services delivered by The Epler Company. In addition, Ms. Barry will be a resource to the team and to the Town in the public sector area.
Marilyn Jones	Certified Actuary & Project Manager: Ms. Jones will be the primary consultant and actuary who will assist the Town with design, financing and funding issues. In addition, Ms. Jones will be the Certified Actuary responsible for assisting the Town in setting assumptions and will be responsible for the final actuarial valuation results.
Maureen Ostrich	Actuarial Associate & Manager: Ms. Ostrich will oversee the actuarial valuation process including reconciliation of data issues.
Luis Murillo	Benefit Analyst: Mr. Murillo will provide analytical and data support as needed to members of the team.



Jane M. Barry - President, CEO

jbarry@eplercompany.com

Ms. Barry has been associated with The Epler Company for over twenty-five years, serving as President and Chief Executive Officer for more than twenty years. She began her career in the employee benefit area with the group pension department of a large insurance company in Boston, Massachusetts, and subsequently relocated to San Francisco where she served as a pension consultant with a regional actuarial firm. As CEO, Ms. Barry is responsible for establishing the firm's work ethic, mission, and quality assurance of all consulting projects. In addition, she is considered a leading authority in the defined benefit and executive compensation fields.

Ms. Barry is a graduate of St. Lawrence University with a degree in political science. She is an active member of the Western Pension & Benefits Conference and was general chair for the 1992 and 1999 annual conferences and co-chair for the 2005 meeting. Ms. Barry has been on the faculty of UCSD and a frequent guest lecturer at the graduate level at San Diego State University.

Marilyn K. Jones - Vice President & Actuary, ASA, MAAA, EA, FCCA

mjones@eplercompany.com

Ms. Jones joined The Epler Company as Vice President & Chief Actuary of our actuarial practice. She has over twenty years of actuarial experience in both the pension and healthcare areas and brings with her tremendous expertise working with both the private and public sectors.

Ms. Jones' primary responsibility is to maintain the high professional standards that have been the cornerstone of our long history and to continually monitor changes that may become necessary as a result of legislative activity. In addition, she provides the management of pension and healthcare actuarial services provided to all of her clients. All personnel in the pension and healthcare areas of the practice will report, either directly or indirectly, to Ms. Jones.

Prior to joining The Epler Company, Ms. Jones managed the local actuarial practice of a large international human resource consulting firm. She has also spent a significant portion of her career working at two of the Big Four accounting firms. Ms. Jones is an active participant in several actuarial and employee benefits organizations. She is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, a Fellow of the Conference of Consulting Actuaries and an Enrolled Actuary under the Employee Retirement Income Security Act (ERISA). Ms. Jones received a B.S. and M.S. in Mathematics & Statistics from the University of Illinois.



Maureen C. Ostrich - Manager, Actuarial Support Services

mostrich@eplercompany.com

Ms. Ostrich has over twenty-five years of experience in the actuarial field. Prior to joining The Epler Company, Ms. Ostrich was employed by a national employee benefits consulting firm and by the group pension department of a major life insurance company, specializing in actuarial valuations.

Ms. Ostrich is the supervisor in quality assurance for the actuarial department. She has extensive experience in all phases of actuarial valuations, data preparation and benefit calculations.

Ms. Ostrich is a graduate of UCLA with a B.A. in mathematics. She has successfully completed several actuarial exams for the Society of Actuaries.

Luis Murillo – Actuarial Analyst

lmurillo@eplercompany.com

Mr. Murillo recently joined the actuarial team at The Epler Company. He works as a consultant for several clients, focusing on retiree medical and defined benefit plans. His responsibilities include assisting in actuarial valuations, data preparations, annual IRS filings, and benefit calculations for the plan participants upon termination or retirement. Mr. Murillo was graduated with a Bachelors of Arts degree in Joint Mathematics and Economics University of California, San Diego. He is currently pursuing an associateship in the Society of Actuaries and has successfully completed actuarial exams for the Society of Actuaries.

Section 3. Proposed Services & Our Approach

The Town of Paradise (the “Town”) is seeking a consultant to provide an actuarial valuation of its retiree health benefits program in accordance with GASB 43 & 45. GASB 43 & 45 require accrual accounting and certain financial disclosures for the expensing of other post-employment benefits (OPEB) including retiree health benefits. Compliance with GASB 45 requires the periodic completion of an actuarial valuation of the Town’s retiree health benefits to determine the liability and accrual expense for these benefits. D. The Town is currently paying for its retiree health benefits on a “pay-as-you-go” basis.

The Town is seeking an evaluation of the OPEB liability following GASB 43 and GASB 45 standards for the fiscal year ended June 30, 2010. The desired completion date is January 31, 2011. It may be requested that the actuary make a formal presentation to the Town Council.

Proposed Services

The Epler Company will perform an actuarial valuation of the Town’s retiree health benefits in compliance with GASB 43 & 45. We have outlined below our approach to providing valuation services including the project deliverables and have provided a sample schedule which can be adjusted to meet the Town’s required schedule.

Our Approach

Our approach for providing actuarial valuation services typically involves the steps listed on the following page which are modified to meet the client objectives established at the onset of any engagement. The entire process typically takes four (4) to six (6) weeks from receipt of complete data.

- Submit data request to the Town (included with our proposal in **Appendix D**).
- Conference call with the Town to discuss engagement objectives & deliverables, confirm our understanding of plan design, set assumptions and methods for the valuation process.
- Receive & review required data from the Town.
- Reconcile participant data & confirm population to include for valuation.
- Submit for the Town’s approval, a summary of plan provisions, data statistics and actuarial assumptions to be used in the valuation. We encourage the Town to involve their auditors prior to approval of actuarial assumptions and methods.

- Discuss and receive approval of final actuarial assumptions and method.
- Program, test & perform actuarial valuation using the Town's specific plan design and actuarial assumptions and methods.
- Draft actuarial valuation report.
- Send via email draft actuarial valuation report to the Town for review.
- Meeting or conference call with the Town & other interested parties as determined by the Town.
- Issue bound copy of final actuarial valuation report.

The actuarial valuation will be performed using generally accepted actuarial procedures and our experience with similar assignments, current census data, and a measurement date and actuarial assumptions and methods as determined through discussions with the Town. The results will be determined based on a closed-group valuation method, meaning that only current active (but not future hires) and retired employees will be included. After completion of the actuarial valuation, we will provide the Town with a report setting forth all liabilities and expense estimates for its retiree health benefits program required under GASB 45. Our actuarial valuation report will contain the following information:

- Executive summary;
- The terminal liability (actuarial present value) of the retiree health benefits;
- Disclosure of the actuarial accrued liability and the unfunded actuarial accrued liability determined in accordance with GASB 45;
- The components the annual required contribution determined in accordance GASB 45 for the Town's current and subsequent fiscal years;
- Projected annual pay-as-you-go expenditures for all future years;
- Discount rate and health care trend sensitivity analysis;
- Funding analysis including recommended level-dollar and level-percentage of pay funding amounts to pre-fund the obligations;
- A summary of retiree health benefit plan provisions;
- A summary of actuarial assumptions and methods;
- An age and service distribution of employee population included in the valuation; and
- An actuarial certification.

Sample Schedule

We will work with the Town to ensure that the project is completed within your required time constraints. A sample timeline is provided in the table below. The timing is contingent on when the Town makes a decision on the consultant to provide the actuarial valuation services as well as the Town's ability to provide the required data and give its approval of assumptions and methods to be used in the valuation within a set timeframe. Your actual schedule can be adapted to meet the actual time needed by the Town to gather its data and to facilitate the required approvals.

Date/Timing	Key Milestone	Responsibility
December, 2010	Decision on Consultant	The Town
December, 2010	Contract Awarded	The Town
Week One	Kick-off Conference Call <ul style="list-style-type: none"> • Discuss Objectives • Confirm Current Design & Cost Sharing • Discuss Valuation Assumptions & Methods • Review Data Requirements 	The Town/ Epler
End of Week One	Submit Required Plan Design, Rate & Census Information (See Appendix D for Data Requirements)	The Town
Week Two	Data Reconciliation & Confirmation of Population to be Included in Actuarial Valuation	Epler
Week Three	Send Plan Provisions, Valuation Data Tables & Proposed Actuarial Assumptions & Methods Summary to the Town for Approval	Epler
End of Week Three	Approve Actuarial Assumptions & Methods for Valuation	The Town
Week Four	Perform Actuarial Valuation & Draft Valuation Report	Epler
End of Week Four	Email Draft Valuation Report to the Town	Epler
Week Five	OPEB Valuation Consulting Conference Call: Review Actuarial Valuation Results and General Funding Strategies	The Town/ Epler
Week Five	Deliver Bound Valuation Report	Epler

Section 4. Cost Proposal

The estimated not-to-exceed fee, including expenses, for the actuarial valuation services outlined in **Section 3** and based on the assumptions below is \$5,250. Our fees are based on the projected number of hours spent by each consultant on the project, multiplied by a billable rate that varies according to the experience and credentials of the consultant. We make every effort to hold down the costs incurred for the actuarial valuation, but not to the point of jeopardizing the successful conclusion of the assignment. Our estimated not-to-exceed fee assumes approximately 36 hours of work as estimated below along with the applicable billing rates.

<u>Staff Classification</u>	<u>Estimated Hours</u>	<u>Billing Rates</u>
Senior Consultant/Senior Actuary	6	\$300 to \$325
Actuarial Associate/Manager	10	\$150 to \$200
Actuarial Analyst/Benefit Analyst	<u>20</u>	\$75 to \$100
Total	36	

The fee quote assumes that the Town is able to provide us complete and accurate census data in electronic format. The fee quote includes the following:

- Kick-off conference call: To include planning, objective and assumptions & methods discussion, and review of data requirements.
- Conference call for presentation of the report.
- Results shown separately for retired and active employees and for up to 3 bargaining units/employee groups.
- Measurement using one set of assumptions and one cost method approved by the Town.
- Analysis of discount and trend rate sensitivity on results.
- Funding analysis for pre-funding annual required contribution through GASB eligible trust.

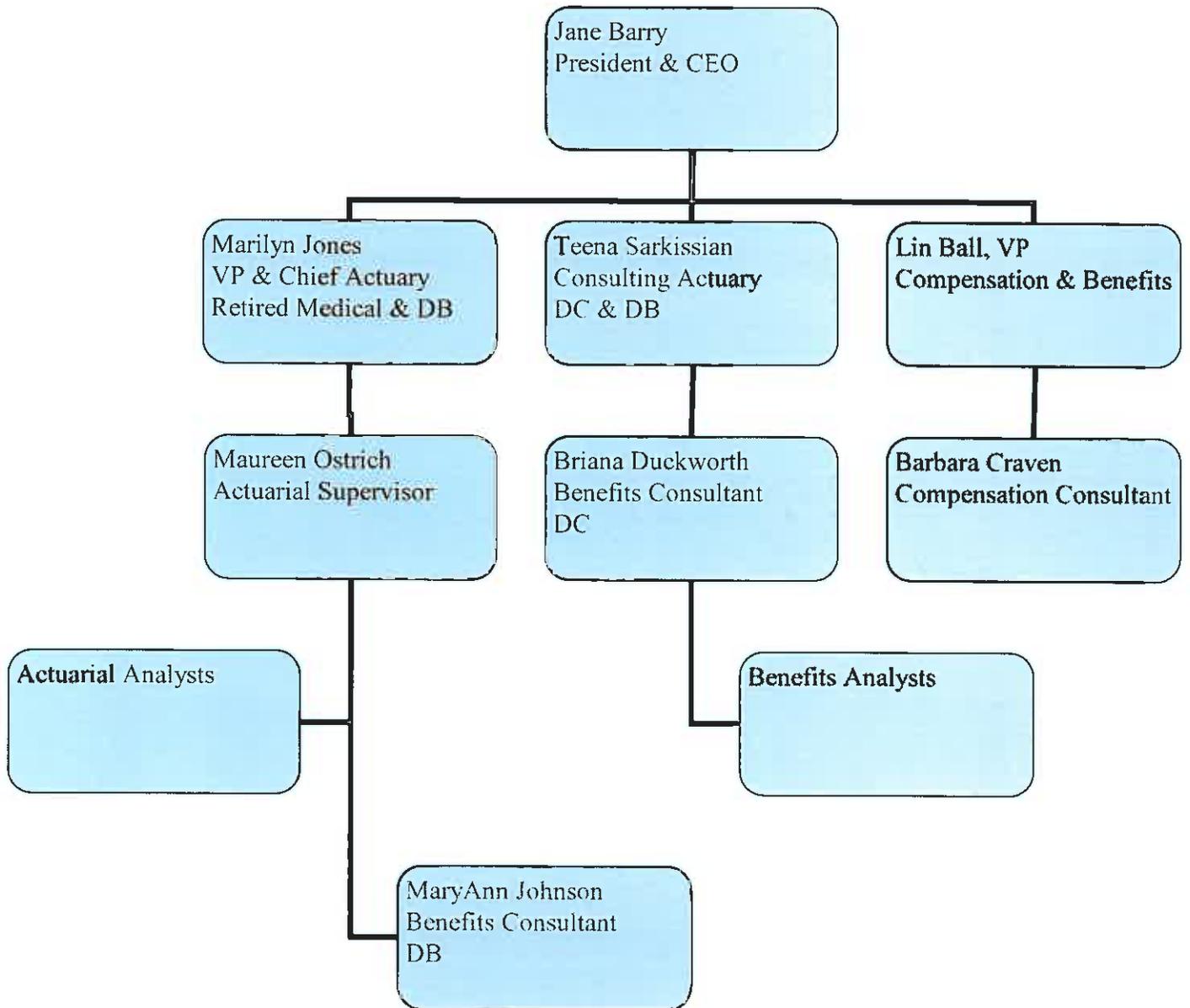
We have not included an on-site meeting in the above fees. On-site meetings (including a presentation to the Town Council) can be provided to the Town, if requested, on a time and expense basis subject to a not-to-exceed fee of \$1,000 per meeting.

5. Appendices

The following appendices to the proposal can be found in this section:

- ♦ Appendix A – Organizational Chart
- ♦ Appendix B – Representative Public Clients
- ♦ Appendix C – Insurance Documentation
- ♦ Appendix D – Data Request for GASB Actuarial Valuation

Appendix A: Organizational Chart



Appendix B. Representative Public Clients

Below is a list of public agencies, cities, counties, colleges, community colleges and schools for whom we have completed actuarial work. We have noted with one asterisk (*), those entities for whom we have performed at least one retiree health actuarial valuation. These valuations have typically included GASB-like estimates. We have noted with two asterisks (**) those entities for whom the proposed personnel for the Town have performed recent work for compliance with GASB 43 & 45.

Alpine Union School District**
Alvord Unified School District**
Antelope Valley Unified School District*
Arvin Unified School District*
Atascadero Unified School District**
Beaumont Unified School District**
Belridge Elementary School District**
Bonsall Union School District **
Cajon Valley Unified School District**
Cardiff School District**
Carlsbad Unified School District**
Center School District**
Centinela Valley High School District
Chaffey School District*
Chula Vista Elementary School District**
City of Calexico**
City of Carson**
City of Coronado**
City of Fillmore**
City of San Gabriel**
City of Henderson*
City of La Mesa**
City of Lomita**
City of Montebello **
City of National City**
City of Norwalk*
City of Palm Desert**
City of Pasadena**
City of Ridgecrest**
City of Santee**

City of Soledad
Clovis Unified School District*
Coast Community College District**
Coachella Valley Mosquito and Vector Control District**
Community Development of Los Angeles*
Colton Unified School District**
Coronado Unified School District**
County of Mono*
County of Plumas**
Del Mar Union School District**
Downey Unified School District
East Valley Water District**
Encina Wastewater Authority**
Escondido Union School District**
Fallbrook Unified Elementary School District*
Firebraugh-Las Delta School District**
Fresno Housing Authority**
Gavilan Community College District**
Grossmont-Cuyamaca Community College District*
Grossmont Healthcare District**
Grossmont Union High School District**
Hemet Unified School District*
Heritage Ranch Community Services District**
Housing Authority of San Bernardino*
Housing Authority of the County of San Bernardino**
Inyo County Department of Education*
Indian Wells Valley Water District**
Jurupa Unified School District**
Julian Union School District**
Kern County Office of Education*
Lake Elsinore Unified School District**
Lakeside Fire Protection District**
Lakeside Union School District**
La Mesa-Spring Valley Unified School District**
Lamont School District*
Lawndale School*
Leucadia Wastewater District**
Los Angeles Unified School District**

Lost Hills Unified School District*

Main San Gabriel Municipal Water District**

MiraCosta Community College District**

Mojave Water Agency**

Montebello Unified School District**

Monterey Peninsula College*

Moulton Niguel Water District**

Mountain Empire Unified School District**

Napa Valley Community College District**

National School District**

Nipomo Community Services District**

North County Transit District**

Ohlone College*

Orange County Transit Authority**

Orange Unified School District**

Owens Valley Unified School District*

Palisades Charter Schools**

Parlier Unified School District**

Pauma-Valley Center Unified School District**

Peralta Community College District**

Poway Unified School District**

Ramona Municipal Water District**

Rancho California Water District**

Rancho Santiago Community College District*

Riverside County Office of Education**

Rowland Water District**

SANDAG**

San Diego County JPA**

San Diego County Office of Education**

San Dieguito Union School District**

San Jose Evergreen Community College District*

San Luis Obispo County Office of Education**

San Marcos Unified School District**

San Miguel Fire District**

San Ramon Valley Unified School District**

Sante Fe Irrigation District**

San Ysidro Unified School District**

Sequoia Unified High School District*

Solana Beach Unified School District**
Soquel Creek Water District**
South Orange County Wastewater Authority**
Southwestern Community College*
Standard School District*
Taft City Schools**
Templeton Community Services District**
Three Valley Municipal Water District**
Trabuco Canyon Water District**
Turlock Irrigation District**
University of San Diego*
Vista Irrigation District**
Walnut Valley Water District**
William S. Hart Union High School District**
Yucaipa/Calimesa School District
Valley Center-Pauma Unified School District**
Valley Center Municipal Water District**
Warner School District**
West Basin Municipal Water District**
West Valley - Mission Community College District*

Appendix C. Insurance Documentation

Attached are copies of The Epler Company's Workers' Compensation, Automobile Liability and Professional Liability Coverages. The Town can be added as an additional insured under this policy.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
7/13/2010

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Michael Ehrenfeld Company 2655 Camino Del Rio North #200 San Diego CA 92108	CONTACT NAME: Tulu Workman
	PHONE (A/C, No, Ext): (619) 683-9990 FAX (A/C, No): (619) 683-9999
INSURED Epler Company, The 450 B Street Suite #750 San Diego CA 92101	E-MAIL ADDRESS: tuluw@ehrenfeldinsurance.com
	PRODUCER CUSTOMER ID #: 00000282
INSURER(S) AFFORDING COVERAGE	
INSURER A: Fidelity & Deposit Co. of	NAIC # 39306
INSURER B: Oak River Insurance Company	34630
INSURER C: Houston Casualty Company	42374
INSURER D:	
INSURER E:	
INSURER F:	

COVERAGES CERTIFICATE NUMBER: **CL1071316337** REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR		CPO9673013-11	7/14/2010	7/14/2011	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COM/PROP AGG \$ 2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC					
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS		CPO9673013-11	7/14/2010	7/14/2011	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DEDUCTIBLE RETENTION \$					EACH OCCURRENCE \$ AGGREGATE \$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory In NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A	2200007901101	5/1/2010	5/1/2011	WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	E&O - Claims Made Retro Date: 6/28/87		H70614694	7/28/2010	7/28/2011	Limit: \$1,000,000 Deductible: \$15,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, If more space is required)

CERTIFICATE HOLDER

CANCELLATION

PROOF OF COVERAGE	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE Eric Ehrenfeld/TGW

ACORD 25 (2009/09)
INS025 (2009/09)© 1988-2009 ACORD CORPORATION. All rights reserved.
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Appendix D. Data Request for GASB Actuarial Valuation

General Information

- Description of current active & retiree supplemental and health coverages (e.g. plan document, SPD, employee booklet, union agreements, Board memo, and/or Memorandum of Understanding)
- Description of cost sharing arrangements for retiree health coverage
- Summary of material changes in retiree health benefits over last 2-3 years
- Description of current funding policy and any proposed changes
- Market value of any assets earmarked or in trust to pay retiree health benefits (as of beginning of fiscal year)
- Copy of prior actuarial study of retiree health benefits, if applicable
- Other pension plan retirement provisions and actuarial assumptions, if applicable

Healthcare Providers/Claim Costs for Retiree Health Benefits

- List of health providers, both funded and self-funded plans; for each plan indicate if it is experience rated, partially experience rated or community rated
- Number of employees electing coverage under each health plan for the last three years
- Last three years of rates (COBRA and funding rates if self insured, premium rates if fully insured) by plan and family coverage category
- **For self-insured plans only (not applicable if all plans provided through CalPERS Health Program):**
 - Monthly claims experience for the last 36 months
 - Monthly enrollment for the last 36 months
 - Monthly administrative expenses for the last 36 months including stop loss premiums
 - Large claims report and stop loss reimbursements, if any, for the last 36 months
 - A claim lag report. If this information is not available, industry standard claim lags will be used
 - The amount, if any, set aside for purpose of paying incurred but not reported (IBNR) claims

Census Information (Must be transmitted electronically; one record per employee)

Census data needed for each benefit eligible employee:

- ID Number
- Regular Earnings (period of earnings will also be needed if employees are on different payrolls)
- Date of Birth
- Employee Sex
- Spouse's Date of Birth, if applicable and available
- Date of Hire (Both Town DOH and CalPERS DOH, if applicable)
- Applicable Employment Status Code (Business Unit, Full Time/Part Time, Hourly/Salaried, Union or Other Applicable Employee Groupings, etc.)
- CalPERS Employee Group, if applicable
- Medical Plan Election
- Family coverage category – Medical (single, two party, family, etc.)
- Dental Plan Election, if applicable
- Family coverage category – Dental (single, two party, family, etc.)
- Vision Plan Election, if applicable
- Family coverage category – Vision (single, two party, family, etc.)
- Employer contribution (split by medical/Rx, dental & vision, if applicable)

Census data needed for each retiree:

- ID Number
- Date of Birth
- Employee Sex
- Spouse's Date of Birth, if applicable
- Date of Hire (Both Town DOH and CalPERS DOH, if applicable)
- Date of Retirement
- Applicable Employment Status Code (Business Unit, Full Time/Part Time, Hourly/Salaried, Union or Other Applicable Employee Groupings, etc.)
- CalPERS Employee Group, if applicable
- Medical Plan Election
- Family coverage category – Medical/Rx (single, two party, family, etc.)
- Dental Plan Election, if applicable
- Family coverage category – Dental (single, two party, family, etc.)
- Vision Plan Election, if applicable
- Family coverage category – Vision (single, two party, family, etc.)
- Employer contribution (split by medical/Rx, dental & vision, if applicable)



Bickmore Risk Services

Leadership. Trust. Solutions.

December 13, 2010

Gina S. Will
Finance Director
Town of Paradise
5555 Skyway
Paradise, CA 95969

Re: Proposal to Provide Actuarial Services for Other Post Employment Benefits (OPEB)

Dear Ms. Will:

Attached is our proposal to provide services by Bickmore Risk Services (BRS) to complete an actuarial valuation of other post-employment benefits (OPEB) liabilities under GASB 45 for the Town of Paradise (the Town). It is our understanding the results are requested by January 31, 2011. Assuming data can be provided to us by December 31st and we receive prompt responses to any clarifying questions, we expect to produce the report by the requested date.

BRS works with over 200 government entities, predominantly in California and Nevada, for GASB 45 compliance. These include many Counties, Cities/Towns, School Districts, Transit Authorities and Housing Agencies. We have completed a number of large, complex valuations, with different OPEB provided to different groups of retirees.

We believe we have the knowledge and experience to provide excellent service to the Town. Because the focus of our operation is almost exclusively on OPEB valuations and GASB 45 reporting, we understand what is involved in completing this project and have priced our work accordingly. We are recognized in particular for our knowledge and experience working with the CalPERS medical program and CERBT.

We recognize the expense involved in having this study prepared is not trivial. Yet because the size of these liabilities and the potential financial effects for the Town, we emphasize the importance of obtaining experienced consulting advice. Please call me at (503) 419-0462 with any questions you may have with regard to our proposal. You may also reach me by e-mail at cmacleod@brsrisk.com.

We appreciate the opportunity to be of service to the Town of Paradise and look forward to working with you on this assignment.

Sincerely,

Catherine MacLeod
Manager, Health & Benefit Actuarial Services
Fellow, Society of Actuaries
Member, American Academy of Actuaries
Enrolled Actuary

Enclosure

1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
916.244.1100 PHONE 916.244.1199 FAX

5200 SW Macadam Avenue, Suite 310
Portland, OR 97239
503.419.0450 PHONE 503.419.0451 FAX

3780 Kilroy Airport Way, Suite 470
Long Beach, CA 90806
562.508.4400 PHONE 562.508.4399 FAX



BRS | Leadership. Trust. Solutions.

Town of Paradise

Proposal to Provide GASB 45 Actuarial Valuation Services

Submitted December 13, 2010

Presented By:
Bickmore Risk Services

Contact:
Catherine MacLeod
Manager, Health and Benefits Actuarial
(503) 419-0462
Fax: (503) 477-9539
cmacleod@brsrisk.com
www.bickmoreriskservices.com



Bickmore Risk Services

Table of Contents

Profile of the Firm	1
Qualifications of the Firm.....	2
Work Plan.....	3
Methodology.....	3
Technology.....	4
Timeline.....	4
Project Staffing	5
Overview of Benefits	8
Professional Service Fees for This Project	9
Sample Valuation	Appendix A
Sample Data Request Part I.....	Appendix B
Sample Data Request Part II.....	Appendix C



Bickmore Risk Services

Profile of the Firm

Bickmore Risk Services and Consulting (BRS) is a California corporation, founded in 1984, which provides full-service risk management consulting to public agencies. If BRS is awarded the contract, the Town will be serviced out of our Sacramento, California and Portland, Oregon offices.

BRS provides independent actuarial, budgeting, pool administration, risk management, and loss control services to self-insured and insured employers and joint powers authorities (pools). BRS does not affiliate with any company that sells insurance or offers claims adjusting services. Our over 100 professionals on staff include eight credentialed actuaries, all of whom are Members of the American Academy of Actuaries, ten actuarial analysts, seven pool managers, four CPAs, seven attorneys, five workers' compensation certified professionals, and seventeen loss control specialists.

BRS provides additional advantages to its actuarial clients arising out of our experience in non-actuarial areas such as data collection, administration, program structure, and underwriting. In the past two years, BRS has performed more than 400 actuarial studies for public agencies, of which over 140 were actuarial valuations of other post employment benefits (OPEB) for GASB 45 compliance. The remaining studies were primarily actuarial analyses of self-insured workers' compensation and liability programs.

In April, 2007, BRS created the Health and Benefits Actuarial Unit, which is currently focused on providing GASB 43/45 compliance services to public entities in California and Nevada. The practice has seen rapid expansion and now works with over 200 public entities in California, Nevada, Florida, Montana, Oregon and New Mexico. Services include actuarial valuations, analysis of plan design and funding alternatives, funding policy development, labor negotiations support, and special consulting projects.



Bickmore Risk Services

Qualifications of Firm

BRS is uniquely qualified to assist the Town. The Health and Benefits Actuarial Unit is focused on providing GASB 45 valuation services for public agencies, unlike most of our competitors, who view this area of practice as an “add-on” to their (private sector) pension practice. We offer experienced co-managers for this project, each of whom has over 25 years of senior-level consulting experience. We work with many clients of similar size and complexity to the Town.

The two actuaries who will lead the project team are Catherine (Cathy) MacLeod and Francis (Mike) Schauer. Both Ms. MacLeod and Mr. Schauer are Fellows of the Society of Actuaries, Members of the American Academy of Actuaries, and Enrolled Actuaries. Mr. Schauer is also a Fellow of the Conference of Consulting Actuaries. Mr. Schauer has over 40 years of experience providing actuarial services for retirement and other post-employment benefits to corporate and non-profit organizations, and Ms. MacLeod has 30 years of similar experience. In addition, for the last two years, both Ms. MacLeod and Mr. Schauer have been almost exclusively engaged in providing actuarial services to public plans for GASB 45 compliance.

BRS provides GASB 45 actuarial services on behalf of approximately 200 clients, including 18 counties, 45 cities, 12 housing authorities, 23 school districts, and 10 transit agencies. Listed below are the names and contact information of several public agencies who have recently received GASB 45 valuation services from us. All projects were delivered on budget. Other references and a complete client list are available upon request.

City of Palm Springs

Ms. Leigh Ann Gileno
Procurement Analyst II
3200 East Tahquitz Canyon Way
Palm Springs, CA 92262
(760) 323-8238
leighann.gileno@palmsprings-ca.gov

City of Carson City

Ms. Nancy Paulson
Senior Accounting Manager
201 North Carson Street, Suite 3
Carson City, CA 89701
(775) 887-2000 x30142
npaulson@ci.carson-city.nv.us

City of La Mirada

Ms. Melissa Pascual
Accountant II
13700 La Mirada Boulevard
La Mirada, CA 90638
(562) 943-0131 ext. 2322
mpascual@cityoflamirada.org

City of Ojai

Ms. Susie L. Mears
Finance Director
401 South Ventura Street
Ojai, CA 93023
(805) 646-5581 ext. 106
mears@ci.ojai.ca.us



Bickmore Risk Services

Work Plan

Methodology – the Town is seeking professional actuarial advice with regard to their postemployment healthcare costs. We propose to provide an actuarial valuation detailing our analysis of the postemployment healthcare costs for the following 12-month period as required for GASB 43/45 disclosure, and will consult with management or their designees concerning accounting compliance. A sample timeline is discussed below.

In particular, costs will be shown for the Town in total and separately for (1) active and retired participants, and (2) explicit and implicit liabilities, though the latter is not expected to apply, based on our understanding of benefits. Our report will include the development of the GASB 45 annual required contribution (ARC), the Net OPEB Obligation or Asset, and other information required for disclosure under GASB 45. If requested, we can subdivide results for different employee groups or funds or provide a listing by individual. We generally prefer to projected results for future (interim) years in the report

We are regularly complimented for the clarity of our actuarial reports and our ability to translate the often confusing terms into understandable and meaningful results. We have invested considerable time to develop a strong understanding of the CalPERS medical program, PEMHCA requirements and CERBT procedures and requirements and believe we are known for and respected for this knowledge.

We will include sufficient documentation, details, and descriptions to enable the Town to evaluate the actuarial methodology, indexes, and mathematical approaches we used to develop the financial information described above. We present an executive summary at the front of our report, followed by text outlining the requirements, general sources of liabilities, our valuation process and options regarding funding policy. Our exhibits follow, presenting the valuation results, calculation of the ARC and illustration of the required GASB 45 disclosure information. Separate tables summarize employee and retiree census information (Table 2); relevant plan provisions (Table 3); actuarial methods and assumptions (Table 4); and presentation of projected cash flow (Table 5). The report concludes with a Glossary of terms. A sample valuation report is included at the end of this proposal as Appendix A.

Our approach to providing services to the Town will be for the lead consultant to first collect and review preliminary information with appropriate Town representatives to obtain their specific directions and desires concerning the upcoming valuation. At this time, a tentative schedule will be developed concerning (1) data preparation and delivery for the annual valuation, (2) a telephonic meeting or meetings to discuss preliminary results, (3) delivery of the final report, and (4) (optional) presentation by the lead consultant of the results contained in the final report in person to the appropriate Town personnel. Our intent with this approach is to make senior consultants readily available to the Town. We are also available by telephone or email at any time the Town requires. Required data is census data on covered active employees, retirees and their dependents, and plan documents or employee communications detailing the “substantive plan” provided by the Town.



Bickmore Risk Services

Proposal to Provide Actuarial Valuation of OPEB Liabilities
 For the Town of Paradise
 December 13, 2010

A typical valuation data request (subject to revision based on the preliminary discussions described above) contains both a word document and an excel spreadsheet. A sample of both documents, titled 'Data Request Part I' and 'Data Request Part II', are attached at the end of this proposal as Appendix B and C respectively.

Technology – BRS maintains an extensive network of technical capabilities, including a company-wide intranet and a website (<http://www.bickmoreriskservices.com/>). Many of the company's professionals, including the entire Health and Benefits actuarial staff, work remotely. We maintain an independent IT staff.

A key resource for our GASB 45 clients is the use of valuation software provided by WinTech. This firm, focused on pension and OPEB valuation software, is the dominant independent provider of such software in the United States. WinTech is constantly interacting with its clients to improve its software and issues substantial upgrades at least twice each year. The use of this software assures our clients of the combination of our senior actuarial experience with independently developed and constantly improved software.

WinTech offers two other important advantages to the Town. First, WinTech maintains a service bureau which its clients can use for completion or independent review of GASB 45 valuation work. This strengthens our ability to turn around projects or special analyses on a short timeframe regardless of the work being completed for our other clients. Secondly, WinTech is the acknowledged industry leader in "projection valuation" software, which offers both deterministic and stochastic modeling of the Town's future OPEB plan liabilities and assets.

Timeline - The following table outlines BRS's approximate timeline for completing each task.

Maximum Time for BRS	Elapsed Time	Description of Tasks
1 week	1 week	Engagement letter is signed by the Town and senior actuary.
1 week	1 week	Data request materials are sent to the Town from analyst.
Varies		Data request materials are returned to BRS analyst
1 week	2 weeks	District data is organized by analyst and (if needed) subsequent questions asked.
1 week	3 weeks	District data is coded by analyst and checked by senior actuary
1 week	4 weeks	Coding is checked by a second senior actuary and (if needed) subsequent questions asked.
1 week	5 weeks	Numbers from coding output are used by analyst to create report exhibits.
1 week	6 weeks	Report exhibits are checked by both senior actuaries.
1 day		Report exhibits are entered into report draft by analyst.
2 days		Report draft is reviewed and edited by both senior actuaries.
1 day		Final touch-ups to report draft are made by analyst.
1 day	7 weeks	Report draft is issued to the Town.
Varies		Once the Town approves the report draft, BRS will issue the final report.

This timeline can potentially be shortened if the Town has specific needs for early delivery of the report. It is our understanding that this report is requested to be completed by January 31, 2011. Assuming the plan and employee census information can be provided prior to December 31 and clarifying questions are answered promptly, we expect to be able to meet the requested delivery date.



Bickmore Risk Services

Project Staffing

The project team will be led by Cathy MacLeod, who will serve as project manager for this assignment. As such, she will oversee all contract activities performed by BRS, and she will serve as the primary contact for the Town. Cathy provides outstanding service to her clients, making herself available at all times. Mike Schauer will serve as co-manager and provide additional technical analysis and peer review; support staff, utilizing our 3 actuarial analysts who are devoted entirely to GASB 45 work, will be assigned based on the Town's needs.

Cathy MacLeod is highly qualified to provide the type of actuarial support requested by the Town. Over the course of her extensive consulting actuarial career, she has provided assistance on pension, medical, and other employee benefit plans to large and small employers. Mike Schauer's employee benefits consulting and actuarial experience bring additional knowledge and strength to this team.

Cathy and Mike focus their practice on GASB 45 consulting for public entities. As a new and rapidly evolving practice area, full-time focus on emerging issues provides a depth and quality of service which part-time commitment cannot match.

We also regard each client and its staff as part of the engagement team for the assignment. Recognizing that an outside consultant cannot understand the operational aspects of an organization as well as those within the organization itself, we attempt to learn from our clients so that we can be more responsive to their needs. Similarly, we strive to educate our clients about our methods and assumptions so that they will be in a better position to evaluate the appropriateness of our conclusions and recommendations.



Catherine L. MacLeod, FSA, EA, MAAA

Experience

Bickmore Risk Services

Manager, Health and Benefits Actuarial Unit. Ms. MacLeod is currently focusing her practice on public entities within California and Nevada and compliance with GASB 43/45, accounting standards for "other post-employment benefits" (OPEB).

Standard Insurance Company

Ms. MacLeod began her consulting actuarial career with Standard in Portland, Oregon, specializing in retirement plan consulting and valuation work. Public sector work included the valuation of defined benefit plans and 403(b) plan administration.

Howard Johnson & Company

Ms. MacLeod joined the firm's Portland, Oregon, consulting actuarial operation. She was client manager and lead consultant for several large employers coordinating administrative and actuarial work on a wide variety of benefit programs.

Independent Actuaries, Inc.

Ms. MacLeod's primary focus was in management and consulting with respect to qualified retirement plans, with an emphasis on defined benefit plan actuarial services. Public sector work included 403(b) plan design and consulting as well as valuations of charitable annuity programs for foundations, colleges and universities.

Academic Background

- Bachelor of the Arts – Actuarial Science – Ball State University, Muncie, Indiana
- Masters of Science – Actuarial Science – Ball State University, Muncie, Indiana

Professional Designations

- Fellow of the Society of Actuaries (FSA)
- Member of the American Academy of Actuaries (MAAA)
- Enrolled Actuary (EA)
- Member, American Society of Pension Professionals and Actuaries



Francis M. (“Mike”) Schauer, Jr., FSA, FCA, EA, MAAA

Experience

Bickmore Risk Services

Manager, Health and Benefits Actuarial Unit. Mr. Schauer is currently focusing his practice on public entities and compliance with GASB 43/45, accounting standards for “other post-employment benefits” (OPEB).

Watson Wyatt Worldwide

Mr. Schauer began his consulting actuarial career with The Wyatt Company, specializing in retirement plan consulting and valuation work, and over time moved to overall employee benefits consulting. Work included completion of FAS 106 disclosures of post-retirement benefits for major U.S. corporations.

American Red Cross

Mr. Schauer directed the day-to-day operations of the retirement program, which covered 25,000 employees.

Tyco International, Inc.

Mr. Schauer helped direct the actuarial and investment aspects of 350 pension programs worldwide.

Academic Background

- Bachelor of the Arts – Mathematics – University of Michigan
- Masters of Actuarial Science –University of Michigan

Professional Designations

- Fellow of the Society of Actuaries (FSA)
- Fellow of the Conference of Consulting Actuaries (FCA)
- Enrolled Actuary (EA)
- Member of the American Academy of Actuaries (MAAA)



Overview of Other Postemployment Benefits for the Town of Paradise

The Town has indicated that this will be their first OPEB valuation under GASB 45, and it will be applied to the fiscal year July 1, 2009 – June 30, 2010.

The only OPEB provided by the Town is medical plan coverage. This coverage is available for all employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service).

The Town contributes toward the cost of retiree's medical coverage as follows:

- The Town pays \$398.11 for one retiree, \$796.22 for a retiree and one dependent, and \$1035.09 for a retiree and two or more dependents.
- This subsidy increases 5% per year until it reaches the benefit level for active employees. (\$433.73 for employee, \$867.45 for employee and one dependent, and \$1127.69 for employee and two or more)
- The Town has implemented the CalPERS vesting schedule for employees hired after January 1, 2011. Because this valuation date precedes January 1, 2011, it will not be necessary to consider this vesting schedule in this report.

The Town currently has 102 active employees and 69 retirees eligible for benefits.

Funding Policy

The Town is currently paying these benefits on a "pay-as-you-go" basis and does not anticipate prefunding in the next two to three years.



Bickmore Risk Services

Professional Service Fees for This Project

Based on our understanding of benefits provided by the Town, BRS offers to complete an actuarial valuation of OPEB liabilities pursuant to GASB 45 requirements for the following fees.

Valuation report: \$ 6,000

Results will be presented on both a pay-as-you-go and prefunding basis.
Results will be presented for the current year and projected for interim years

Optional services (*these may be requested any time before the valuation is completed*):

Preparation of materials for CERBT	\$ 750, if applicable (not expected)
Personal visit (report delivery ¹)	600
Subgroup analysis	250 for each subdivision OR 800 for a listing of cost by individual

The basic valuation fee above includes up to 6 hours for data analysis, consolidation and organization to prepare it for our actuarial coding. This generally requires data be provided to us in the requested format (or other equally suitable format) with one line per employee. Should the data require additional time to organize before we can begin our valuation, we reserve the right to charge for this time at the hourly rates shown below.

We believe the services described above will meet the Town's objectives for this project. However, should other services beyond the scope of work outlined above be requested or required (for example, six months after completion of the study you request our assistance in redesigning benefits made available to retirees), we will bill for our time at the rates specified below:

<u>Consultant</u>	<u>Hourly Rate</u>
Senior Actuarial Consultants	\$ 300
Actuarial Analysts	160
Administrative Staff	80

The information provided in this proposal may be incorporated into a separate contract or the Town of Paradise may indicate its acceptance of the above fees and timeline for this project with a binding signature and date entered below.

Accepted: _____

Date: _____

Printed Name: _____

Title: _____

¹ A telephonic delivery of the report is included in the basic valuation price.

Appendix A



Bickmore Risk Services

February 1, 2010

Mr. Jane Smith
Finance Director
City of Sample City
123 ABC St.
Anywhere, CA 98765

Re: June 30, 2009 Actuarial Report on GASB 45 Retiree Benefit Valuation

Dear Ms. Smith:

We are pleased to enclose our report providing the results of the June 30, 2009 actuarial valuation of "other post-employment benefits" (OPEB) liabilities for City of Sample (the City). The report's text describes our analysis and assumptions in detail.

One of the key results of the OPEB valuation is the calculation of the annual required contribution (ARC). This amount is technically neither "required" nor must it be contributed, so this term alone can lead to some confusion. It is, however, the primary component of the annual OPEB expense. This expense, and the liabilities from which it is derived, will vary depending on whether the City elects to prefund liabilities or continue on a pay-as-you-go basis. Related decisions involve how rapidly the unfunded accrued liability is amortized and whether the payments are determined as level dollar amounts or as a level percent of payroll. These subjects are discussed further in the report.

We have based our valuation on employee data and plan information provided by the City, including the most recent PEMHCA resolution on file with CalPERS. We encourage the City to review our summary of the benefits described in Table 3A to be comfortable that we have captured these provisions correctly.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of the City'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
Manager, Health and Benefit Actuarial Services

Enclosure

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3780 Kilroy Airport Way
Suite 470
Long Beach, CA 90806
d. 562.508.4400

5320 SW MacAdam Avenue
Suite 100
Portland, OR 97239
d. 503.419.0450



Table of Contents

A. Executive Summary..... 3
B. Requirements of GASB 45 4
C. Sources of OPEB Liabilities..... 5
OPEB Liabilities of the City of Sample..... 5
D. Valuation Process..... 6
Determination of the ARC..... 6
Decisions Affecting the Amortization Payment 6
E. Choice of Actuarial Funding Method and Assumptions..... 7
Factors Impacting the Selection of Funding Method..... 7
Contribution Timing 7
CalPERS Implications 7
F. Certification 8
Table 1A Summary of Results Minimum Contribution Alternatives..... 9
Table 1B Summary of Results Other Contribution Alternatives 10
Table 2 Summary of Employee Data..... 11
Table 3A Summary of Retiree Benefit Provisions..... 13
Table 3B General CalPERS Provisions..... 15
Table 4 OPEB Valuation Actuarial Methods and Assumptions..... 16
Table 5 Projected Benefit Payments 20
Appendix 1 Breakout of City Plan Results by Fund 21
Glossary 25



A. Executive Summary

This report presents the results of the June 30, 2009 actuarial valuation of the City of Sample (the City) "other post-employment benefit" (OPEB) programs. The purpose of this valuation was to assess the OPEB liabilities and provide disclosure information as required by Statement No. 45 of the Governmental Accounting Standards Board (GASB 45).

The following summarizes the results for the fiscal year beginning July 1, 2008:

- *If the City continues on a pay-as-you-go basis, i.e., no prefunding is adopted,*
 - We calculate the GASB 45 actuarial accrued liability (AAL) to be \$2,703,595.
 - If there are no assets set aside in an irrevocable trust to offset these liabilities, the funded status of the plan as of this date would be (\$2,703,595).
 - Contributions for the fiscal year ending June 30, 2009 are estimated to be \$31,741, equal to the benefit payments made during the period.
 - We estimate the net OPEB obligation to be \$271,012 for the fiscal year ended June 30, 2009.
- *If entry age normal cost prefunding is adopted on the minimum basis permitted by GASB 45,*
 - We calculate the actuarial accrued liability to be \$1,572,209 and the annual required contribution (ARC) to be \$177,419.
 - The marginal difference in contributions required to satisfy the minimum prefunding requirement is estimated to be only \$ 145,678 (\$177,419 less \$31,741). This additional amount would enable the City to reduce the net OPEB obligation at year end from \$271,012 to \$0.
- *More rapid prefunding is permitted and several options are illustrated in this report.*
 - For example, if the City elects to fully fund the plan through June 30, 2009, we estimate the total cash outlay for the program to be \$1,658,674.
 - Other options exist between the minimum prefunding and the full funding amounts shown above, including application of earmarked funds set aside in reserve to be applied toward the funding of OPEB liabilities.
- This valuation has been prepared on a closed group basis, that is, only current employees and retirees are included. No provision is made for new employees.

The decision whether or not to prefund, and at what level, is at the discretion of the City, as are the manner and term for paying down the unfunded actuarial accrued liability. Once a funding policy has been established, however, the City's auditor will likely have an opinion as to the timing and manner of any change to such policy in future years. Details of our valuation process and the various disclosures required by GASB 45 are provided on the succeeding pages.



B. Requirements of GASB 45

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. In July 2004, 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.

The Government Accounting Standards Board has mandated disclosure of OPEB liabilities for U.S. public employers for fiscal years beginning in 2007 through 2009, depending on the size of the employer's revenue base for the fiscal year ending in 1999 (see GASB Statement No. 34 for complete details). As the City maintains a fiscal year beginning July 1, the required implementation date of GASB 45 depends on the City's revenue for the fiscal year which began July 1, 1998.

- If revenue for that year was less than \$10 million, the City must comply no later than the fiscal year beginning July 1, 2009;
- For revenues between \$10 million and \$100 million, July 1, 2008; and
- For revenues exceeding \$100 million, July 1, 2007.

Based on the information provided to us, the City's revenues for the fiscal year which began July 1, 1998, were between \$10 and \$100 million. It is our understanding that the City will be in compliance by June 30, 2009 as required by GASB 45.

The actuarial assumptions used in this report for GASB 45 analysis are intended to comply with the requirements of CalPERS for participation in its prefunding vehicle for OPEB liabilities, the California Employers Retiree Benefit Trust (CERBT). While this report does not take a position either on whether the City should prefund or the appropriate investment vehicle for doing so, assuming our application of methods and assumptions is acceptable to CalPERS, the option of using CERBT is available to the City using the analysis in this report.

We note that various issues in this report may involve legal analysis of applicable law or regulations. The City should consult counsel on these matters; Bickmore Risk Services (BRS) does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the City 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 leave¹ or COBRA benefits, which fall under other GASB accounting statements.

A direct employer payment toward the cost of OPEB benefits 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 coverages, such as medical, this 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. Even when the premium has been reduced for Medicare eligible retirees, this reduction may not actually reflect the separate rating of retiree claims; consequently, an implicit subsidy may exist for these retirees as well. GASB 45 generally requires an implicit subsidy of retiree premium rates be attributed to the retiree liability (see paragraph 13.a. of GASB 45). Exceptions exist when the plan is either a “community-rated” or “cost-sharing” program.

OPEB Obligations of the City of Sample

The City provides continuation of medical and dental coverage to its retiring employees. Medical benefits are provided through CalPERS, which has taken the position that PEMHCA plans are community-rated, while the plan for California State employees and most non-PEMHCA plans are not (“OPEB Assumption Model”, 11/14/2006). This report follows the CalPERS position and does not make age-related premium adjustments or compute an implicit rate subsidy. We believe there is no implicit liability for retirees inherent in the premiums for dental benefits.

The City provides explicit benefits to retirees. These benefits are described in Table 3 and liabilities have been included in this valuation.

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.



D. Valuation Process

The valuation has been based on employee census data initially submitted to us by the City in August 2009 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 it is reasonable in various respects, the data has not been audited and we have otherwise relied on the City as to its accuracy. A summary of the benefits provided under the Plan is provided in Table 3A, based on information supplied to BRS by the City. The valuation described below has been performed in accordance with the actuarial methods and assumptions described in Table 4.

As to the specific development of the projected benefit values and liabilities, which use the entry age normal cost method, we first developed an estimated total liability at retirement for each active employee. We applied the trend assumption to develop an expected premium or benefit stream over the employee's future retirement, calculated a present value of these premiums at retirement, and allocated this present value by year over the employee's career. Amounts may be allocated as a level dollar amount or as a level percentage of payroll; here, costs are allocated as a level percentage of payroll. Amounts attributed to fiscal years beginning before 2008 form the "actuarial accrued liability" (AAL). The amount allocated to the current year is referred to as the "normal cost".

Determination of the ARC

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

- The amounts attributed to service performed in the fiscal year beginning July 1, 2008 (the normal cost) and
- Amortization of the unfunded actuarial accrued liability

Because prefunding is at the discretion of the City, we have provided disclosure figures (and projected cash outlays) on both a pay-as-you-go and prefunded basis and have provided a number of options for amortizing the actuarial accrued liability. Results by group are provided in Appendix 1.

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).
- 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.
- Allows the amortization period to decrease annually by one year (closed basis) or to be maintained at the same number of years (open basis).



E. Choice of Actuarial Funding Method and Assumptions

The “ultimate real cost” of an employee benefit plan is the present 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 can be found 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.

Contribution Timing

Contributions in Table 1 (exhibits 1A and 1B) reflect the assumption that the full annual contribution will be made on the last day of the fiscal year. To the extent that contributions are made earlier and/or ratably throughout the year, an interest discount could apply. We are available to provide interest adjusted contributions in accordance with your intended contribution pattern at your request.

CalPERS Implications

Special considerations apply to the selection of actuarial funding methods and assumptions for the City. In particular, CalPERS has issued a set of standardized actuarial methods and assumptions to be used by entities participating in the CalPERS GASB 45 prefunding vehicle, CERBT. As the vast majority of public entities in California wish to at least consider joining CERBT, these assumptions can be expected to be in wide use throughout the state. This approach also places the City on as much of an “apples to apples” basis with other California government agencies as is currently possible, which should be appreciated by the users of your financial statements.



F. Certification

We certify that this report has been prepared in accordance with our understanding of GASB 45, and that the figures in Tables 1A and 1B accurately present our analysis of the disclosures for this plan required by GASB 45. Each signing individual is a Manager in the Health & Benefits Actuarial Unit at Bickmore Risk Services and a Member of the American Academy of Actuaries who satisfies the qualification requirements for rendering this opinion.

Signed: February 1, 2010

Catherine L. MacLeod, FSA, EA, MAAA

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



Table 1A
Summary of Results
Minimum Contribution Alternatives

Funding Policy	Pay-As-You-Go	Prefunding	Prefunding
Interest Rate	4.50%	7.75%	7.75%
Amortization method	Level % of pay	Level % of pay	Level dollar
Amortization period (in years)	30	30	30
Number of Covered Employees			
Actives	212	212	212
Retirees	8	8	8
Total Participants	220	220	220
Actuarial Present Value of Projected Benefits (APVPB)			
Actives	\$ 13,505,408	\$ 6,363,200	\$ 6,363,200
Retirees	1,108,617	785,122	785,122
Total APVPB	14,614,025	7,148,322	7,148,322
Actuarial Accrued Liability (AAL)			
Actives	7,153,861	4,082,470	4,082,470
Retirees	1,108,617	785,122	785,122
Total AAL	8,262,478	4,867,592	4,867,592
Actuarial Value of Assets	0	0	0
Unfunded AAL (UAAL)	8,262,478	4,867,592	4,867,592

Net OPEB Obligation at 07/01/08	608,594	608,594	608,594
Interest on Net OPEB Obligation	27,387	47,166	47,166
Annual Required Contribution (ARC)			
Normal Cost	570,211	255,294	255,294
Amortization of UAAL	326,149	281,595	391,850
Interest to 06/30/09	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	896,360	536,889	647,144
ARC Adjustment (determined at FYE)	(35,754)	(48,993)	(48,993)
Expected Net Employer Contribution¹ for FYE 06/30/09 at 06/30/09	63,666	536,889	647,144
Expected Net OPEB Obligation (Asset) at 06/30/09	1,432,921	606,767	606,767

Normal Cost as a percent of payroll	4.3%	1.9%	1.9%
ARC as a percent of payroll	6.8%	4.1%	4.9%
ARC per Active Ee	\$ 4,228	\$ 2,532	\$ 3,053

¹Inclusive of the current year's expected benefit payments



Table 1B
Summary of Results
Other Contribution Alternatives

Funding Policy	Prefunding	Prefunding	Prefunding
Interest Rate	7.75%	7.75%	7.75%
Amortization method	Level % of pay	Level dollar	Level dollar
Amortization period (in years)	10	10	1
Number of Covered Employees			
Actives	212	212	212
Retirees	8	8	8
Total Participants	220	220	220
Actuarial Present Value of Projected Benefits (APVPB)			
Actives	\$ 6,363,200	\$ 6,363,200	\$ 6,363,200
Retirees	785,122	785,122	785,122
Total APVPB	7,148,322	7,148,322	7,148,322
Actuarial Accrued Liability (AAL)			
Actives	4,082,470	4,082,470	4,082,470
Retirees	785,122	785,122	785,122
Total AAL	4,867,592	4,867,592	4,867,592
Actuarial Value of Assets	0	0	0
Unfunded AAL (UAAL)	4,867,592	4,867,592	4,867,592

Net OPEB Obligation at 07/01/08	\$ 608,594	\$ 608,594	\$ 608,594
Interest on Net OPEB Obligation	47,166	47,166	47,166
Annual Required Contribution (ARC)			
Normal Cost	255,294	255,294	255,294
Amortization of UAAL	585,371	665,667	4,867,592
Interest to 06/30/09	0	0	0
Total ARC (and Annual OPEB Cost) for FYE 06/30/09 at 06/30/09	840,665	920,961	5,122,886
ARC Adjustment (determined at FYE)	(78,861)	(78,861)	(655,760)
Expected Net Employer Contribution¹ for FYE 06/30/09 at 06/30/09	840,665	920,961	5,122,886
Expected Net OPEB Obligation (Asset) at 06/30/09	576,899	576,899	0

Normal Cost as a percent of payroll	1.9%	1.9%	1.9%
ARC as a percent of payroll	6.4%	7.0%	38.8%
ARC per Active Ee	\$ 3,965	\$ 4,344	\$ 24,165

¹Inclusive of the current year's expected benefit payments



Table 2
Summary of Employee Data

The City reported 212 active employees. 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							0	0%
25 to 29	1	8	1				10	5%
30 to 34	1	9	17	2			29	14%
35 to 39	2	7	15	4	1		29	14%
40 to 44	2	8	9	4	3	1	27	13%
45 to 49	2	8	11	4	2	5	32	15%
50 to 54	1	5	8	5	3	9	31	15%
55 to 59		3	10	5	4	5	27	13%
60 to 64		2	7	1	2	9	21	10%
65 to 69			1	2	2		5	2%
70 & Up					1		1	0%
Total	9	50	79	27	18	29	212	100%
Percent	4%	24%	37%	13%	8%	14%	100%	

(Percentages adjusted to total 100%)

Annual Covered Payroll \$13,200,689
Average Attained Age for Actives 46.5
Average Years of Service 10.5



Bickmore Risk Services

**Table 2
(Concluded)**

There are also 8 retirees or their beneficiaries receiving benefits. The following chart summarizes the ages of current retirees in the City plan.

Retirees by Age		
Current Age	Number	Percent
Below 50	0	0%
50 to 54	1	13%
55 to 59	0	0%
60 to 64	1	13%
65 to 69	4	50%
70 to 74	1	13%
75 to 79	1	13%
80 & up	0	0%
Total	8	100%
Average Attained Age for Retirees:		66.5

Employees currently participating in the City plans are segregated by group as follows:

Participants by Group				
Group	Actives	FutActive	Retired	Total
1	4	1	0	5
2	17	1	1	19
3	3	0	0	3
4	5	0	0	5
5	7	0	1	8
6	104	8	5	117
7	6	0	0	6
8	28	3	1	32
9	23	2	0	25
Total	197	15	8	220



Table 3A
Summary of Retiree Benefit Provisions

The City has indicated that the only OPEB provided are medical, dental and vision plan coverage. This coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

The City participates in the CalPERS medical program as permitted under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued.

As provided by the Public Employees' Medical and Hospital and Care Act (PEMHCA), the City has been under contract with CalPERS for medical plan coverage since 2008 and has chosen to satisfy its retiree medical benefit commitment using the unequal contribution method. Under this method, the employer's contribution towards retiree medical benefits is determined by multiplying together the following three items:

- 5% *times*
- The number of prior years the employer has been contracted with PEMHCA *times*
- The contribution the employer makes towards active employee health benefits

As outlined in the PEMHCA resolution provided to BRS, it is our understanding that the (direct) contribution provided by the City on behalf of active employees is \$101 for 2009. Thus the City's 2009 minimum monthly contribution toward health plan benefits for retirees would be 5% *times* 1 (years in CalPERS medical) *times* \$101 or \$5.05. As noted, this amount will increase until the contributions for retirees are equal to that for active employees.²

Instead of the minimum contribution described above, the City makes larger contributions toward the medical premiums of employees who meet the conditions set forth in the following table:

Age at Retirement	Years of Employment		
	20-25	25-30	Over 30
62	80%	90%	100%
63	85%	95%	100%
64	90%	100%	100%
65	100%	100%	100%
Percentage of net premium paid by the City			

There is a \$1,200 "cap" as of July 1, 2008 on the premiums paid by the City for medical benefits.

² We have based our valuation on the assumption that the Authority will revise their flexible benefit plan to allow for the payment of premiums in excess of the MEC for active employees.



Table 3A - Summary of Retiree Benefit Provisions (Concluded)

In addition to its contributions toward the cost of retiree medical coverage, the City pays 100% of the cost of dental and vision insurance for all current and future retirees. The City's 2009 dental and vision plan rates for active and retired employees were \$112.95 (dental) and \$19.71 (vision) per month regardless of coverage level.

CalPERS provides medical benefits to California State employees and local agency (PEMHCA) employees. While benefits are essentially identical, monthly rates for coverage of covered active and retired employees are computed separately under the two programs. The CalPERS 2009 rates applicable to covered employees are as follows:

Sacramento/Bay Area 2009 Health Plan Rates (Actives and Pre-Med Retirees)				
Plan	Code	Ee Only	Ee & 1	Ee & 2+
Blue Shield HMO	301	\$560.57	\$1,121.14	\$1,457.48
Blue Shield NetValue HMO	60	\$495.50	\$991.00	\$1,288.30
Kaiser HMO	305	\$508.30	\$1,016.60	\$1,321.58
PERS Choice PPO	320	\$482.48	\$964.96	\$1,254.45
PERS Select PPO	72	\$453.16	\$906.32	\$1,178.22
PERS Care PPO	325	\$749.83	\$1,499.66	\$1,949.56
PORAC Association Plan	207	\$484.00	\$906.00	\$1,151.00

The table above illustrates rates reflect the Sacramento/Bay Area rate group. A different rate may apply for the same coverage where the member resides outside of this area. These variances, if any, are reflected in the valuation, but not listed here. Note that these rates vary by county of residence, while the rates given in the valuation of State employees are statewide rates.

Plan	Code	Ee Only	Ee & 1	Ee & 2+
Blue Shield HMO	301	\$560.57	\$1,121.14	\$1,457.48
Blue Shield NetValue HMO	60	\$495.50	\$991.00	\$1,288.30
Kaiser HMO	305	\$508.30	\$1,016.60	\$1,321.58
PERS Choice PPO	320	\$482.48	\$964.96	\$1,254.45
PERS Select PPO	72	\$453.16	\$906.32	\$1,178.22
PERS Care PPO	325	\$749.83	\$1,499.66	\$1,949.56
PORAC Association Plan	207	\$484.00	\$906.00	\$1,151.00



Table 3B General CalPERS 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 July 1, 2007, issued May 7, 2007, to the State Controller from Gabriel Roeder & Smith. It is provided here as a brief summary of general eligibility requirements for annuitant and survivor healthcare coverage.

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 employer 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 23 or older
- Children who have been married
- Children's spouses
- Former spouses
- Grandparents
- Parents
- Children of former spouses
- Other relatives
- Never enrolled or deleted disabled children over age 23

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
OPEB Valuation Actuarial
Methods and Assumptions

Valuation Date	June 30, 2009
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets (\$0; plan has not yet been funded)
Discount Rate	4.5% if unfunded; 7.75% if funded
Salary Increase	3.25% per year
Assumed Increase for Amortization Payments	3.25% per year where determined on a percent of pay basis
Mortality Before Retirement	Illustrative rates:

CalPERS Public Agency Miscellaneous Non-Industrial Deaths only		
Age	Male	Female
15	0.00013	0.00006
20	0.00019	0.00009
30	0.00038	0.00021
40	0.00077	0.00046
50	0.00156	0.00102
60	0.00314	0.00226
70	0.00634	0.00500
80	0.01277	0.01108

CalPERS Public Agency Police & Fire Combined Industrial & Non-Industrial Deaths		
Age	Male	Female
15	0.00013	0.00006
20	0.00022	0.00012
30	0.00048	0.00031
40	0.00094	0.00063
50	0.00179	0.00125
60	0.00344	0.00256
70	0.00671	0.00537
80	0.01320	0.01151



Bickmore Risk Services

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Mortality After Retirement

Illustrative rates:

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality				
Age	Male		Female	
	Regular	Disabled	Regular	Disabled
40	0.0010	0.0087	0.0007	0.0064
50	0.0025	0.0146	0.0014	0.0113
60	0.0072	0.0287	0.0044	0.0188
70	0.0214	0.0467	0.0128	0.0302
80	0.0626	0.0948	0.0388	0.0651
90	0.1738	0.2079	0.1259	0.1619
100	0.3472	0.4560	0.3204	0.4024
110	1.0000	1.0000	1.0000	1.0000

Turnover

CalPERS Public Agency Miscellaneous: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

Age at Hire	Years of Service						
	0	5	10	15	20	25	30
15	0.1830	0.0834	0.0643	0.0515	0.0387	0.0259	0.0131
20	0.1760	0.0765	0.0574	0.0446	0.0318	0.0190	0.0010
30	0.1622	0.0627	0.0435	0.0307	0.0041	0.0009	0.0002
40	0.1483	0.0488	0.0095	0.0046	0.0009	0.0002	0.0002
50	0.1345	0.0129	0.0051	0.0008	0.0002	0.0002	0.0002

CalPERS Public Agency Police: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

Age at Hire	Years of Service						
	0	5	10	15	20	25	30
15	0.1299	0.0297	0.0213	0.0129	0.0097	0.0082	0.0076
20	0.1299	0.0297	0.0213	0.0129	0.0097	0.0082	0.0012
30	0.1299	0.0297	0.0213	0.0129	0.0022	0.0015	0.0012
40	0.1299	0.0297	0.0068	0.0035	0.0022	0.0015	0.0012
50	0.1299	0.0110	0.0068	0.0035	0.0022	0.0015	0.0012

CalPERS Public Agency Fire: sum of Terminated Refund and Terminated Vested rates – Illustrative rates

Age at Hire	Years of Service						
	0	5	10	15	20	25	30
15	0.0947	0.0257	0.0090	0.0079	0.0069	0.0057	0.0054
20	0.0947	0.0257	0.0090	0.0079	0.0069	0.0057	0.0009
30	0.0947	0.0257	0.0090	0.0079	0.0016	0.0010	0.0009
40	0.0947	0.0257	0.0029	0.0021	0.0016	0.0010	0.0009
50	0.0947	0.0095	0.0029	0.0021	0.0016	0.0010	0.0009



Bickmore Risk Services

**Table 4 - Actuarial Methods and Assumptions
(Continued)**

Retirement Rates

CalPERS Public Agency Miscellaneous
3% @ 60 – Illustrative rates

Age	Male	Female	Age	Male	Female
50	0.0500	0.0700	62	0.3100	0.2500
53	0.0300	0.0500	65	0.3000	0.3000
55	0.0800	0.0900	66	0.1700	0.1800
58	0.0900	0.1100	68	0.1500	0.1300
60	0.1900	0.1500	70 & over	1.0000	1.0000

CalPERS Public Agency Police
3% @ 55 – Illustrative rates

Age	Years of Service					
	5	10	15	20	25	30
50	0.0193	0.0193	0.0193	0.0193	0.0397	0.0600
51	0.0157	0.0157	0.0157	0.0157	0.0324	0.0491
52	0.0163	0.0163	0.0163	0.0163	0.0337	0.0510
53	0.0587	0.0587	0.0587	0.0587	0.1208	0.1829
54	0.0691	0.0691	0.0691	0.0691	0.1422	0.2154
55	0.1164	0.1164	0.1164	0.1164	0.2397	0.3630
56	0.0756	0.0756	0.0756	0.0756	0.1556	0.2357
57	0.0581	0.0581	0.0581	0.0581	0.1196	0.1812
58	0.0508	0.0508	0.0508	0.0508	0.1045	0.1583
59	0.0625	0.0625	0.0625	0.0625	0.1287	0.1949
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

CalPERS Public Agency Fire
3% @ 55 – Illustrative rates

Age	Years of Service					
	5	10	15	20	25	30
50	0.0024	0.0024	0.0024	0.0035	0.0055	0.0065
51	0.0048	0.0048	0.0048	0.0070	0.0110	0.0128
52	0.0147	0.0147	0.0147	0.0215	0.0339	0.0396
53	0.0425	0.0425	0.0425	0.0621	0.0979	0.1142
54	0.0567	0.0567	0.0567	0.0828	0.1306	0.1523
55	0.0915	0.0915	0.0915	0.1337	0.2109	0.2459
56	0.0811	0.0811	0.0811	0.1184	0.1868	0.2178
57	0.0996	0.0996	0.0996	0.1455	0.2295	0.2676
58	0.0814	0.0814	0.0814	0.1189	0.1874	0.2185
59	0.0775	0.0775	0.0775	0.1131	0.1784	0.2080
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000



Bickmore Risk Services

**Table 4 - Actuarial Methods and Assumptions
(Concluded)**

Healthcare Trend Rate

Medical plan premiums and CalPERS minimum employer contribution under PEMHCA are assumed to increase at rates shown in the table below:

Year	Rate	Year	Rate
2009	4.00%	2014	7.00%
2010	9.00%	2015	6.50%
2011	8.50%	2016	5.50%
2012	8.00%	2017	4.50%
2013	7.50%	& later	

Participation Rate

Currently active participants: 60% are assumed to continue their current plan election in retirement.

Non-participating actives are assigned a 30% probability of electing coverage at a later date, thus gaining access to coverage in retirement.

Currently retired participants: Existing medical plan elections are assumed to be maintained through retirement until death.

Spouse Coverage

Current active employees: 75% are assumed to be married and 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.

Currently retired participants: Existing elections for spouse coverage are assumed to be maintained through retirement until earlier of the spouse's or retiree's death.

Medicare Eligibility

Absent contrary data, all individuals assumed eligible for Medicare Parts A and B at 65.



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

Benefits included as described above have been projected on the basis of the actuarial assumptions outlined in Table 4.

Fiscal Year Ending June 30	Current Retirees	Future Retirees	Total
2009	63,666	-	63,666
2010	55,034	17,139	72,173
2011	56,489	34,883	91,372
2012	60,041	65,642	125,683
2013	63,521	103,900	167,421
2014	63,460	133,541	197,001
2015	66,390	163,276	229,666
2016	69,062	203,383	272,445
2017	71,428	245,176	316,604
2018	73,170	283,361	356,531



Appendix 1 Breakout of City Plan Results by Fund

The tables beginning on this page break out the explicit subsidies for each group on both an unfunded ("Pay-As-You-Go") basis and a prefunded basis. All results are shown on the minimum permissible basis under GASB 45, reflecting amortization of the unfunded actuarial liability over a 30 year period on a level percent of pay basis.

Pay-As-You-Go Basis for group 1 – 5

Group	1	2	3	4	5
Interest Rate	4.50%	4.50%	4.50%	4.50%	4.50%
Participants in Group					
Actives (participating)	5	18	3	5	7
Retirees	0	1	0	0	1
Total Participants	5	19	3	5	8
Actuarial Present Value of Projected Benefits (APVPB)					
Actives (participating)	255,501	650,638	51,353	93,030	210,517
Retirees	0	121,214	0	0	156,850
Total APVPB	255,501	771,852	51,353	93,030	367,367
Actuarial Accrued Liability (AAL)					
Actives (participating)	211,557	465,167	27,164	40,081	140,296
Retirees	0	121,214	0	0	156,850
Total AAL	211,557	586,381	27,164	40,081	297,146
Actuarial Value of Assets	0	0	0	0	0
Unfunded AAL (UAAL)	211,557	586,381	27,164	40,081	297,146
Annual Required Contribution (ARC) - full funding basis					
Normal Cost	5,701	20,620	3,015	5,413	6,898
Amortization of UAAL (full immediate - 1 year)	211,557	586,381	27,164	40,081	297,146
Interest to 06/30/09	0	0	0	0	0
Total ARC for FYE 06/30/09 at 06/30/09	217,258	607,001	30,179	45,494	304,044
Current Year's Expected Benefit Payments	2,839	8,287	172	86	7,550



Actuarial Valuation of Other Post-Employment Benefit Programs as of
June 30, 2009 for the City of Sample

Bickmore Risk Services

**Appendix 1
(Continued)**

Prefunded Basis for group 1 -5

Group	1	2	3	4	5
Interest Rate	7.75%	7.75%	7.75%	7.75%	7.75%
Participants in Group					
Actives (participating)	5	18	3	5	7
Retirees	0	1	0	0	1
Total Participants	5	19	3	5	8
Actuarial Present Value of Projected Benefits (APVPB)					
Actives (participating)	255,501	650,638	51,353	93,030	210,517
Retirees	0	121,214	0	0	156,850
Total APVPB	255,501	771,852	51,353	93,030	367,367
Actuarial Accrued Liability (AAL)					
Actives (participating)	211,557	465,167	27,164	40,081	140,296
Retirees	0	121,214	0	0	156,850
Total AAL	211,557	586,381	27,164	40,081	297,146
Actuarial Value of Assets	0	0	0	0	0
Unfunded AAL (UAAL)	211,557	586,381	27,164	40,081	297,146
Annual Required Contribution (ARC) - full funding basis					
Normal Cost	5,701	20,620	3,015	5,413	6,898
Amortization of UAAL (full immediate - 1 year)	211,557	586,381	27,164	40,081	297,146
Interest to 06/30/09	0	0	0	0	0
Total ARC for FYE 06/30/09 at 06/30/09	217,258	607,001	30,179	45,494	304,044
Current Year's Expected Benefit Payments	2,839	8,287	172	86	7,550



Actuarial Valuation of Other Post-Employment Benefit Programs as of
June 30, 2009 for the City of Sample

Bickmore Risk Services

**Appendix
(Continued)**

1

Pay-As-You-Go Basis for group 6 – 9

Group	6	7	8	9	Total
Interest Rate	4.50%	4.50%	4.50%	7.75%	4.50%
Participants in Group					
Actives (participating)	6	31	25	112	212
Retirees	0	1	0	5	8
Total Participants	6	32	25	117	220
Actuarial Present Value of Projected Benefits (APVPB)					0
Actives (participating)	220,762	1,022,096	705,094	3,154,209	6,363,200
Retirees	0	108,575	0	398,483	785,122
Total APVPB	220,762	1,130,671	705,094	3,552,692	7,148,322
Actuarial Accrued Liability (AAL)					
Actives (participating)	158,767	644,499	410,090	1,984,849	4,082,470
Retirees	0	108,575	0	398,483	785,122
Total AAL	158,767	753,074	410,090	2,383,332	4,867,592
Actuarial Value of Assets	0	0	0	0	0
Unfunded AAL (UAAL)	158,767	753,074	410,090	2,383,332	4,867,592
Annual Required Contribution (ARC) - full funding basis					
Normal Cost	7,072	43,975	31,881	130,719	255,294
Amortization of UAAL (full immediate - 1 year)	158,767	753,074	410,090	2,383,332	4,867,592
Interest to 06/30/09	0	0	0	0	0
Total ARC					
for FYE 06/30/09 at 06/30/09	165,839	797,049	441,971	2,514,051	5,122,886
Current Year's Expected Benefit Payments	1,643	8,669	894	33,528	63,666



Actuarial Valuation of Other Post-Employment Benefit Programs as of
June 30, 2009 for the City of Sample

Bickmore Risk Services

**Appendix 1
(Concluded)**

Prefunded Basis for group 6 -9

Group	6	7	8	9	Total
Interest Rate	7.75%	7.75%	7.75%	7.75%	7.75%
Participants in Group					
Actives (participating)	6	31	25	112	212
Retirees	0	1	0	5	8
Total Participants	6	32	25	117	220
Actuarial Present Value of Projected Benefits (APVPB)					0
Actives (participating)	220,762	1,022,096	705,094	3,154,209	6,363,200
Retirees	0	108,575	0	398,483	785,122
Total APVPB	220,762	1,130,671	705,094	3,552,692	7,148,322
Actuarial Accrued Liability (AAL)					
Actives (participating)	158,767	644,499	410,090	1,984,849	4,082,470
Retirees	0	108,575	0	398,483	785,122
Total AAL	158,767	753,074	410,090	2,383,332	4,867,592
Actuarial Value of Assets	0	0	0	0	0
Unfunded AAL (UAAL)	158,767	753,074	410,090	2,383,332	4,867,592
Annual Required Contribution (ARC) - full funding basis					
Normal Cost	7,072	43,975	31,881	130,719	255,294
Amortization of UAAL (full immediate - 1 year)	158,767	753,074	410,090	2,383,332	4,867,592
Interest to 06/30/09	0	0	0	0	0
Total ARC for FYE 06/30/09 at 06/30/09	165,839	797,049	441,971	2,514,051	5,122,886
Current Year's Expected Benefit Payments	1,643	8,669	894	33,528	63,666



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

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



Bickmore Risk Services

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

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.



Bickmore Risk Services

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

Appendix B
Sample Data Request Part I

Town of Paradise

2010/2011

BRS requests detailed information in an effort to ensure the accuracy of our analytical results. If any assistance is needed with this process please feel free to call or email.

Please address the report to:

Name:	
Title:	
Entity:	
Address:	
City, State / Zip:	
Phone:	
Fax:	
Email:	

We will automatically send a signed electronic copy of our report.

In an effort to be more ecologically friendly, we prefer to ask:

Would you like to receive hard copies as well? _____

If yes, our default is 3 bound, 1 unbound hard copy, double-sided reports.

Please let us know if the Town has a different preference.

Are there any deadlines we should be aware of while compiling the results?

Form Completed By: (Complete only if different from above)

Name:	
Title:	
Phone:	
Fax:	
Email:	

Return this form to:
Bickmore Risk Services
Attn: Erin Watts
Email: ewatts@brsrisk.com
Phone: 503-419-0453

OPEB Actuarial Valuation – Data Request

Our questions are organized generally as follows:

- Housekeeping – reports, contact information, etc.
- Coverage offered and related information (rates, providers, etc)
- Requirements to be eligible for this coverage after employment terminates
- Direct contributions by the Town toward this coverage for retirees
- Specific information on how many employees are/were eligible
- Information on assets set aside to fund these liabilities
- Information on which employees have coverage (excel file)

Please note that we are requesting detailed information in an effort to ensure the accuracy of our analytical results. ***If this level of detail will prove difficult to provide, please call us so that we can work with you to determine alternative formats.***

1. Has the Town had a previous OPEB valuation?
 - a. If a prior valuation exists, please provide a copy of the previous study.

2. Are all of the Town’s employees covered by PERS for their retirement benefit?
 - a. If yes, please provide the formula(s) that apply. Please identify safety and non-safety employee formulas if applicable.
 - b. If no, please state what other plans your employees participate in and provide a copy of the most recent actuarial report for that plan.

3. What coverage(s) does the Town actually offer (regardless of who pays)?

For Actives:

For Retirees:

	Yes	No
Health		
Vision		
Dental		
Life Insurance		
Long Term Care		
Sick Leave Conversion ¹		

	Yes	No
Health		
Vision		
Dental		
Life Insurance		
Long Term Care		
Sick Leave Conversion		

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.

OPEB Actuarial Valuation – Data Request

4. If the Town offers dental coverage as an OPEB benefit, please provide the annual maximum benefit.
 - a. In addition, it would be helpful to have per capita dental claims (retirees vs. actives) for the past 2-3 years. It is possible to obtain this information through the Town's broker or insurer. This information may lower the Town's OPEB liabilities.
5. If the Town offers life coverage as an OPEB benefit, please provide information on the Town's basic group life insurance coverage.
 - a. What is the face amount?
 - b. Does coverage drop after a certain age?
 - c. What is the rate per \$1000 of coverage per retiree and/or dependent?
6. Please list any other OPEB *coverage offered* to retirees that is not listed above:

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 leave¹ or COBRA benefits, which fall under other GASB accounting statements.
7. The Town has indicated it has contracted with CalPERS for medical benefits under Public Employee Medical Health Care Act (PEMHCA). Please confirm _____ and provide copies of the medical resolutions and a copy of a recent bill.
8. For retiree healthcare coverage, please supply copies of:
 - a. Any description of OPEB benefits provided (e.g. employee booklet or benefit policy)
 - b. Relevant collective bargaining agreements
 - c. Communications to employees about the plans
 - d. Summary of benefit provisions
9. Would you like the results for any groups or bargaining units broken out separately?
 - a. If yes, please specify into which group you would like each employee placed (in the attached spreadsheet). In addition, if information is not available for a particular individual, is there a group to which we should assume they belong?

The next two questions are important for us to form an assumption about the likelihood a retiree will elect to continue medical coverage through the Town when they retire.

10. Please provide the total number of employees who have retired directly from the Town who are receiving a pension benefit.
11. Of the number in 10 above, how many did **NOT** elect to take advantage of their right to continue healthcare coverage through the Town?

OPEB Actuarial Valuation – Data Request

12. Has the Town ever previously disclosed OPEB liabilities under GASB 45 in the financial statements?
- a. If so, may we have a copy of the Town's most recent financial disclosures?
13. Please provide the actual benefits paid to retirees during the most recent fiscal year.
14. Has this plan formally been funded yet (meaning, has an OPEB trust been established)?
- Yes _____ When _____ No _____
- a. If an irrevocable trust account exists for the funds in accordance to the guidelines stipulated by GASB 45, we will need to have:
- A copy of the trust asset statement as of the prior valuation date.
 - A copy of the trust asset statement as of the current valuation date.
 - An income and expense statement for transactions between those dates.
15. Please provide individual data for each of your active and retired employees.
- We can accept most data formats, however an Excel spreadsheet containing the fields shown in the attached sample file would be preferred. *Please see Part II of the Data request.*
 - If a previous valuation has been conducted, the data should be as of the same month and day of the previous valuation date (unless there is an appropriate reason for changing this date).
 - If no prior valuation has been prepared, we recommend that the data be as of either the **first or last day of your fiscal year, or the beginning of the medical plan year**. However, we can accept data as of any date. We are looking for a "snapshot" of coverage as of the valuation date, so for example an employee who terminated employment on January 5, 2009 would be included as an active employee as of January 1, 2009.
16. For the individual data provided please indicate the following:
- What date is the data as of:
 - Were there any changes in the employee group or compensation that occurred after the date the data is as of? Is so please explain the changes.
 - Is there any point during the year where there is a definite increase or decrease in the number of employees or retirees we should be aware of?

Town of Paradise

**Proposal to Perform an
OPEB Actuarial Study**

Due: December 15, 2010 @ 5:00 p.m.

Nyhart

8415 Allison Pointe Boulevard, Suite 300
Indianapolis, IN 46250-4205
317-845-3500
800-428-7106
317-845-3650 FAX

www.nyhart.com

Contact: Randy Gomez
randy.gomez@nyhart.com

December 9, 2010

Table of Contents ● Town of Paradise

	<u>Page</u>
Information About Our Firm	1
List of Professional Organizations to Which Our Firm Belongs	1
Experience in Iowa	1
Unique Characteristics About Nyhart	1
Description of Our Firm	2
Our History	2
Management / Ownership of Our Firm	3
Account Team Personnel	4
Resumes:	
Randy A. Gomez	5
Joseph B. Polley	6
Evi Laksana	7
Contact Information	8
Town's Involvement	9
Data Requirements	9
Our Approach	11
Methodology Report	11
Actuarial Background	12
Scope of Services	14
Sample Timetable	15
Fees	16
Work Outside the Scope of Services	16
GASB Modeler	16
References	17
Partial List of Projects Completed / Underway	17
References	18
Appendix	19
Sample GASB 45 Financial Report	
Sample GASB Summary	
Sample of Modeler	
Sample Contract	

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Information About Our Firm

Nyhart
8415 Allison Pointe Boulevard, Suite 300
Indianapolis, IN 46250

Website: Nyhart.com

Phone: 317-845-3500
Toll-Free: 800-428-7106
FAX: 317-845-3650

Federal Tax ID No.: 35-0966414

List of Professional Organizations to Which Our Firm Belongs

Society of Actuaries
American Academy of Actuaries
Conference of Consulting Actuaries
American Society of Pension Professionals
Indiana Association of Cities and Towns
Indiana Association of Counties
Government Finance Officers Association
State and Local Government Benefits Association

Unique Characteristics About Nyhart

1. You will find that Nyhart produces GASB 45 disclosures in a very efficient and client-focused manner. Project deadlines are set to meet the client's needs and not by arbitrary internal deadlines.
2. There is more than just one actuary on the case. There will actually be three actuaries (the senior actuary for quality control, a project manager, and the actuarial analyst).
3. Our fees are lower than all of the larger consulting firms and most of the medium and smaller firms. Our process ensures a consistent, quality product.
4. You are free to contact any of our 300+ GASB 45 clients for a reference on our reputation, quality, and fees.

Town of Paradise
Proposal to Perform an OPEB Actuarial Study

December, 2010

Description of Our Firm

Our History

The Nyhart Company is an employee benefit consulting, actuarial, and administration firm that has been doing business since 1943. We are 100% employee owned and provide actuarial, defined contribution, defined benefit, flexible spending account administration, and human resource consulting. We have 71 employees in Indianapolis, Indiana, two in Deerfield, Illinois, and eight in various other states. We operate as a corporation.

The firm began in Indianapolis, Indiana as a family-owned business, founded by Howard Nyhart. It progressed as a family business until an employee stock ownership plan was created and the employees purchased the company. The firm expanded throughout the 2000's by purchasing two firms, Sheridan and Associates and 401(k) Solutions. The firm still retains the Nyhart name but utilizes Alliance Benefit Group as appropriate.

Alliance Benefit Group provides consulting and administration services to over 4,000 plans that hold over \$10 billion in retirement assets. Each office is independently owned, but we operate in conjunction with each other on a national basis. We joined the Alliance Benefit Group in 1999.

We have thirteen accredited pension actuaries, more than any other firm in Indiana. Our thirteen accredited pension actuaries rank us 21st among retirement consulting firms in the U.S. While we have historically been a relatively small regional company in this business, our growth in recent years is outpacing that of nearly all of our competitors.

Our actuarial staff is filled with ex-large firm actuarial experience and totals 25 employees. Seven of our accredited actuaries spent a significant time of their careers at the large multinational actuarial firms. We feel we have the large firm perspective along with the pricing of a regional firm. We have clients in 48 states.

Our clients span all sizes and number more than 500 actuarial clients. Of this number, over 150 are public sector client. The largest client we consult to on an actuarial basis has approximately \$8 billion in assets. This is a public sector client. The total sum of all of our clients' actuarial liabilities exceeds \$30 billion.

In addition to our wide range of actuarial work, we offer service in...

- Flex Administration
- Retirement Services
 - Defined Benefit
 - Defined Contribution
 - Balance Forward
 - Daily Valuation
- COBRA Administration
- HR Consulting
- Medicare Part D Subsidy
- Health Care Actuarial Consulting

We will be available on an "as needed basis" between 8:00 to 5:00.

Town of Paradise
Proposal to Perform an OPEB Actuarial Study

December, 2010

Management / Ownership of Our Firm

Our firm is an ESOP company.

The management of the company includes the following personnel, all of whom are authorized to represent the company and to bind the firm:

Managing Principal, Thomas L. Totten, FCA, ASA, EA		
Principal, Randy Gomez, FSA, MAAA	317-845-3595	randy.gomez@nyhart.com
Principal, Charles Munsell, EA, MSPA	317-845-3570	charles.munsell@nyhart.com
Principal, John Dowell, FSA, FCA, EA	317-845-3580	john.dowell@nyhart.com
Principal, Craig Harrell	317-845-3560	craig.harrell@nyhart.com
Principal, Dave Van Ness, CPA	317-845-3520	dave.vanness@nyhart.com
Principal, Lisa Pethtel, CPA, SPHR	317-845-3540	lisa.pethtel@nyhart.com
Principal, Michael Zurek, EA, MAAA	847-400-9601	mike.zurek@nyhart.com
Principal, Tayt V. Odom, FSA, EZ	317-845-3571	tayt.odom@nyhart.com
Principal, Dave Sherman, IT Manager	317-845-3550	dave.sherman@nyhart.com

The company is concentrated in actuaries, but does include other specialties, including a legal staff, administrators, and accountants.

Account Team Personnel

Consultant

Randy Gomez graduated from Georgia State University, Atlanta, Georgia, with a B.B.A. degree in business administration and earned a Masters in Actuarial Science from Georgia State University. He is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries.

Prior to joining Nyhart, Randy was a benefits consultant with a national benefit consulting firm. Mr. Gomez has more than 27 years experience in benefits consulting.

Phone: 317-845-3595

E-mail: randy.gomez@nyhart.com

Associate Actuary

Joe Polley graduated from Purdue University, West Lafayette, Indiana, with a B.S. Degree in Actuarial Science. He is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. Mr. Polley is current pursuing Society of Actuaries Fellowship examinations with intent to specialize in the Group and Health specialty track.

Prior to joining Nyhart, Mr. Polley was a benefits consultant with a Mid-Atlantic benefit consulting firm. He has more than 9 years of experience in benefits consulting.

Phone: 317-845-3596

E-mail: joe.polley@nyhart.com

Associate Actuary

Evi Laksana graduated from Purdue University with a B.S. Degree in Actuarial Science and Statistics. She joined Nyhart in August, 2005. She has passed five actuarial exams and is on a professional exam track.

Phone: 317-845-3597

E-mail: evi.laksana@nyhart.com

Randy Gomez will be directing the activities of the GASB 45 team. He will be assisted by the firm's actuarial students and assistants. The above-listed individuals have extensive experience in postretirement healthcare benefits. Their resumes follow.

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Randy A. Gomez

Nyhart / 8415 Allison Pointe Boulevard, Suite 300, Indianapolis, IN 46250

Phone: 800-428-7106/317-845-3595 **Fax:** 317-845-3654 **E-Mail:** randy.gomez@nyhart.com

GASB 45 Experience Speaker and author of GASB-related topics. Consulting with government clients regarding pension and group benefits for 11 years. Has met professional credentials for pension and group actuarial opinions. Worked in areas of GASB 45, plan design, projections, health budget, pricing and reserving, and Medicare Part D.

Work Experience **January, 1983 - July, 1988** **Hazlehurst and Associates**
Actuary

- Responsible for qualified and non-qualified pension actuarial valuations and special projects
- Developed custom benefit calculation systems

July, 1988 - October, 1995 **Towers Perrin**
Consulting Actuary

- Acquired education and expertise in group health benefits. Consulted in plan design and pricing for active and retiree health plans and flexible benefit programs, rate development, IBNR calculations, and COBRA certifications
- Consulted on pension and group health plans
- Performed pension and postretirement actuarial valuations
- Conducted nondiscrimination pension testing

October, 1995 - Current **Nyhart**
Principal and Chief Actuary

- Consulted to national and local clients on pension and postretirement healthcare valuations and group health plans
- Speaker at events regarding pension and postretirement healthcare
- Responsible for research and actuarial policy

Education **August, 1979 - December, 1982** **Georgia State University**
• B.B.A. Actuarial Science

January, 1983 to December, 1986 **Georgia State University**
• M.A. S. Actuarial Science
• National Winner Top Five Score for Actuarial Examination Number One

Accreditations Fellow of the Society of Actuaries
Member of the American Academy of Actuaries

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Evi Laksana

Nyhart / 8415 Allison Pointe Boulevard, Suite 300, Indianapolis, IN 46250

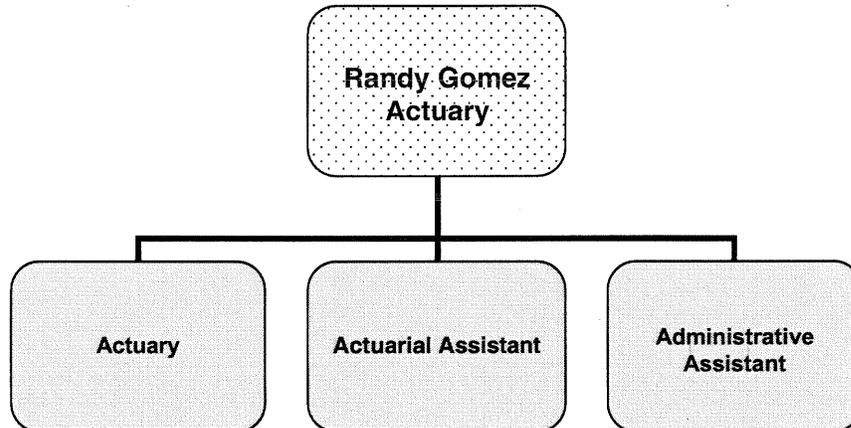
Phone: 800-428-7106/317-845-3597 **Fax:** 317-845-3654 **E-Mail:** evi.laksana@nyhart.com

Work Experience **August, 2005 - Current** **Nyhart**
Associate Actuary

- Prepare annual pension and post-retirement healthcare valuations
- Prepare Medicare Part D actuarial equivalence testing and Retiree Drug Subsidy online applications
- Provide calculations for cost studies and projections

Education **January, 2002 – May, 2004** **Purdue University**
• B.S. Actuarial Science and Statistics

Accreditations Associate of the Society of Actuaries



We employ a well-qualified staff of actuarial assistants that assist our actuaries in many ways. All valuations (including GASB work, etc.) are thoroughly reviewed by our actuaries. No report is finalized without the approval of two of our credentialed actuaries.

- We affirm that we will provide the services, and components thereof, in accordance with the Actuarial Standards of Practice, Actuarial Code of Professional Conduct, and the Government Accounting Standards Board Statements 43 and 45.
- Our firm is qualified to issue a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification Standards of the American Academy of Actuaries.
- The actuary assigned to work with the municipality is qualified to undertake this project according to Precept 2 of the Code to Professional Conduct of the American Academy of Actuaries

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Contact Information

Contact: Randy Gomez, FSA, MAAA - Principal
Phone: 317-845-3595 / 800-428-7106
Email: randy.gomez@nyhart.com

Address: 8415 Allison Pointe Boulevard, Suite 300
Indianapolis, IN 46250

Phone: 317-845-3595
Toll-Free: 800-428-7106 X 3595
FAX: 317-845-3654

Town of Paradise
Proposal to Perform an OPEB Actuarial Study

December, 2010

Town's Involvement

Generally speaking, Nyhart would like to relieve as much responsibility from the Town as possible. However, we will rely on the Town to provide accurate census data, be prepared to discuss different actuarial assumptions (with our guidance) and to assist with other third party vendors (if appropriate).

Nyhart would also assist the Town in the plan interpretation and any ambiguities. We have experience over the last 20 years working with clients regarding these issues.

Data Requirements

- **Census Information**

Active Employees (Excel File)

Name
 ID # or SSN
 Sex
 Date of Birth
 Date of Hire
 Current Medical — *(Traditional or HSA)*
 Medical Coverage Level — *(Single, Family, None, etc.)*
 Dental Option
 Dental Coverage Level
 Current Annual Salary — *(Optional if healthcare benefits are pay-related.)*

Retired Employees

Name
 ID # or SSN
 Sex
 Date of Birth
 Date of Retirement
 Spouse's Date of Birth — *(Only needed if spouse is covered by health plan)*
 Current Medical Option — *(Traditional or HSA)*
 Medical Coverage Level — *(Single, Retiree and Spouse, etc.)*
 Dental Option
 Dental Coverage Level
 Retiree Life Insurance — *(If Employer Subsidized)*

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

- **Census Information** (continued)

- **Other Employees** — *(Optional if former employees may elect retiree health coverage at a later time.)*

- Name

- ID # or SSN

- Sex

- Date of Birth

- Date of Termination

- Spouse's Date of Birth — *(Only needed if spouse is covered by health plan.)*

- Location

- **Plan Information**

- Copy of Summary Plan Description for Each Health Plan Option

- Premium Rate and COBRA History for Past Five (5) Years

- Retiree Contribution Schedule for Past Five (5) Years

- Copy of Retiree Health Benefits from Employee Handbook

- Fully Insured Plans Only — *(Are premium rates based on community rating or partially based on actual plan experience?)*

- How are premiums or benefits paid? — *(General Funds, Dedicated Asset Reserve, VEBA Trust Fund, etc.)*

- **General Description of Retiree Health Coverage**

- Please note, other information may be required once the above information has been reviewed by Nyhart.

- We understand the scope of work requested by the Town and are quite willing to meet or exceed those requirements.

Town of Paradise
Proposal to Perform an OPEB Actuarial Study

December, 2010

Our Approach

Methodology Report

The process for the actuarial GASB disclosure will take place in stages.

Stage 1 Data Gathering Process:

The required data will include census information for all current employees and retirees receiving postemployment health or termination benefits. Plan descriptions of the various benefits will also be required.

Stage 2 Assumption Setting and Education Process:

Any actuarial analysis is always grounded on reasonable expectations or assumptions of future behavior of current employees...when do employees terminate or retire, are there non-recurring events in the past that have affected termination patterns. Also, what are reasonable expectations of future health care increases and employer subsidies.

These assumptions cannot be set in a vacuum and require an active dialogue between the consulting actuary and employer. The most realistic results are best achieved when an employer understands how the assumptions are used and what areas require a strong well-thought-out assumption.

Stage 2 will also be used to set expectations on the timeline for the completed report and what information will be included. We anticipate the report will include the GASB disclosures, a projection of future benefit payouts, and a projection of the number of retired employees in the program.

Stage 3 Review of Preliminary Results and Re-Evaluation of Assumptions Process:

Before preliminary results are released to the employer, the results are reviewed internally by another qualified actuary. Once approved for release by Nyhart, the results should be reviewed by the employer. This is typically done in a face-to-face meeting or conference call.

We believe producing a result is not the completion of the project. The client must also understand what the result means and how it will be used by outsiders. Stage 3 is meant to be a review session with a limited group of outsiders having access to the report. All assumptions will be re-evaluated a second time for reasonableness. The description of the postemployment benefits will also be reviewed a second time for last minute changes. If necessary, preliminary results are updated for Stage 3 changes. This update is included in our fee estimate.

Stage 4 Final Release of the Completed Report with No Limitations on the Distribution of the Results:

Nyhart will present the report to the appropriate group at a meeting.

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Actuarial Background

Valuation Assumptions

When generating actuarial assumptions, we utilize an approach that involves the client in setting the assumptions. We look at the following historical information:

- Retirement Patterns
- Turnover Patterns
- Prior Medical Inflation
- Utilization Data

Once the data is analyzed, we would work with the client in determining whether the assumptions are appropriate for the foreseeable future.

Claim Costs

In the determination of the claims cost, we would look at the cost of benefits for the retiree class in exclusivity. A claims cost would be generated simply for the retirees without regard to the active claims cost, unless the data was deemed to be not credible for the population.

Once the claims cost is determined for the retiree group, the net cost is generated by subtracting the employee contributions. This net cost is present valued for GASB purposes.

Methodology for Selecting Actuarial Cost Method and Amortization Period

Our approach will be to calculate the required contribution amounts using each of the approved actuarial cost methods and amortization periods allowed under the standard. We fully expect the results to produce a fairly large range from the lowest to highest liability-producing method.

Our actuarial software (Proval) is designed to produce each set of results very efficiently during the calculation phase. We are unable to make a recommendation to the Town for the most appropriate cost and amortization method until we understand your current programs, underlying demographics, and future salary and benefits expectations.

Nevertheless, the most common actuarial methods used for government accounting and funding purposes are:

- the aggregate cost method (for its simplicity of use),
- the entry age normal method as a percentage of salary (for its stability as a percentage of total salary), and
- the unit credit cost method (since it generally produces the lowest contribution of all the approved methods).

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Software

Our actuarial software is Proval. We will also have our proprietary modeler available for the Town's use. See the Appendix for our sample.

In order to determine claims cost, we have proprietary software integrated with Tillinghast's medical rates software in order to determine costs.

Interpretation of Plan

We will work with the Town to define, if any, the ambiguities related to the plan. We can also provide full actuarial services regarding health care pricing and reserving.

Town of Paradise
Proposal to Perform an OPEB Actuarial Study

December, 2010

Scope of Services

1. Prepare the actuarial valuation following GASB 45 standards. Include the following information:
 - The actuarial present value of total projected benefits
 - Unfunded actuarial accrued liability
 - Actuarial accrued liability
 - Actuarial value of assets
 - Normal cost
 - Annual required contribution of the Town as a level dollar amount and as a level percentage of covered payroll
 - Net OPEB obligation for the Town disclosure under GASB Statement 45
 - Prepare the necessary material for the Town's annual Financial Statements that comply with GASB OPEB reporting and disclosure requirements.

We will work on the Town's schedule to meet their deadlines. We will also accomplish the scope of services that the Town requires.

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Sample Timetable

Step	Milestone	Responsibility	Timeline from Start of Study
1	Initial meeting to discuss GASB requirements and actuarial assumptions and confirm expectations and deadline ¹	Client and Nyhart	1 st Week
2	Collection of census and premium information	Client	1 st Week
3	Data preparation, programming, testing, and peer review	Nyhart	2 nd Week
4	Preparation of draft report ²	Nyhart	Included Above
5	Meeting with auditor to review preliminary report	Client and Nyhart	3 rd Week
6	Internal review and discussion of preliminary report	Client	4 th Week
7	Release of final report following changes to assumptions and data	Nyhart	4 th Week
8	Meeting with auditor to review final report	Client and Nyhart	4 th Week

¹ Planning session includes review of GASB liabilities for retiree health coverage for current and future retired participants.

² The actuarial report will include the actuarial disclosures and the following information:

- Executive Summary
- Summary of Actuarial Assumptions and Methods
- Summary of Benefits Valued
- 10-year Projection of Employer Subsidies for Retiree Health Coverage using a Closed-Group Population

It is our philosophy that the GASB 45 valuation is a significant project that must be managed aggressively in order to meet the deadlines that the Town may be under. The deadlines within our work plan are, essentially, arbitrary for any single municipality. **We work on YOUR schedule. We will meet your deadline!**

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

Fees

Full Year Valuation	\$6,600
Onsite Meeting (if requested)	\$800

Work Outside the Scope of Services

For projects outside the Scope of Services, we will work with the Town to negotiate a set fee or we can work on a "time and materials" basis with the fee being only what it takes us to do the project.

Rates for Work Outside the Scope of Services:

Senior Actuaries	\$250	per Hour
Credentialed Actuaries	\$175	per Hour
Actuarial Analysts	\$125 - \$175	per Hour
Administrative Assistant	\$40	per Hour

GASB Modeler

Our actuaries have created a modeler that was built to allow users to see projected future plan expenses such as the annual required contribution (ARC), unfunded actuarial liability and net obligation. It is also useful as an educational tool to illustrate the impact of changing certain actuarial assumptions (interest rate discount and actual asset returns), plan improvements and funding strategies (no pre-funding, some pre-funding, increasing levels of pre-funding).

Please see a sample of our modeler in the Appendix. If the modeler would assist the Town in their GASB planning, we would be pleased to quote a cost to prepare it specifically for the Town of Paradise.

**Town of Paradise
Proposal to Perform an OPEB Actuarial Study**

December, 2010

References

Partial List of Projects Completed

We are completing or have completed GASB 45 valuations in thirty-two different states, including but not limited to...

Name	Name	Name
City of Fayetteville, AR	Maine Community College System, ME	Tualatin Water District, OR
City of Bentonville, AR	City of Dearborn Heights, MI	Borough of Pottstown, PA
City of Springdale, AR	City of Flint, MI	Township of Springfield, PA
Town of East Haddam, CT	Western Lake Superior Sanitary, MN	City of Central Falls, RI
Bradford County, FL	City of Cape Girardeau, MO	Foster Gloucester RSD, RI
City of Dunedin, FL	City of Dover, NH	Town of Lincoln, RI
Linn County, IA	City of Concord, NH	Town of Narragansett, RI
Clayton County, IA	County of Merrimack, NH	Disability Board of Charleston City, SC
Wapello County, IA	Hanover SAU #70, NH	Harris-Galveston Subsidence District, TX
Fremont County, IA	Cattaraugus/Allegany BOCES, NY	Utah County, UT
Peoria Park District, IL	Chautauqua Lake CSD, NY	Bountiful City, UT
McLean County, IL	Falconer Central School, NY	Cedar City Corporation, UT
City of Waukegan, IL	Suffolk County, NY	Arlington County, VA
Allen County, IN	Village of Northport, NY	Roanoke Redevelopment, VA
Indiana University, IN	City of Cuyahoga Falls, OH	Wise County / Schools, VA
City of Emporia, KS	City of Moore, OK	City of River Falls, WI
Johnson County, KS	Oklahoma City Fire Fighters, OK	St. Croix County, WI
Cities of Biddeford & Saco, ME	Town of North Andover, MA	City of Baraboo, WI

Partial List of Projects Underway

We are working on...

Name	% Complete
Pierce County, WI	20%
City of South Bend, IN	20%
Town of Amherst, MA	30%
Bristol-Warren School District, RI	30%
Taylor County, IA	40%
Town of Thomaston, CT	50%
State of Indiana, IN	70%
City of Madison, WI	80%
Peoria Public Schools, IL	80%

Oklahoma City, OK
Sauk County, WI
Dunn County, WI
City of Charleston, WV
City of Huntington, WV
City of South Charleston, WV
Kanawha County, WV
Fremont School District, WY

Town of Paradise Proposal to Perform an OPEB Actuarial Study

December, 2010

References

We have performed over 900 retiree healthcare valuations during our careers, including Fortune 500 companies, school districts, utilities, and municipal agencies. This is a small sample of our client list.

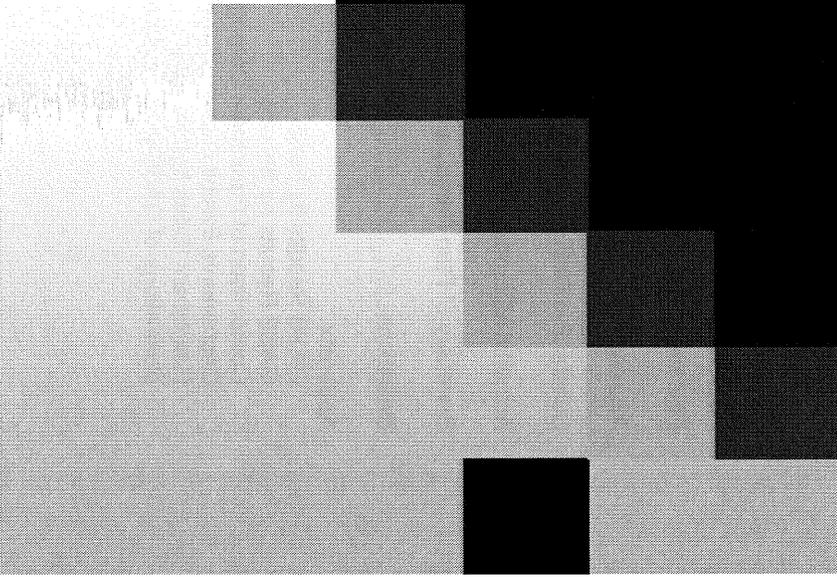
Name	Address	Contact	Contact Numbers	E-Mail	Service Provided
Solano Irrigation District	508 Elmira Road Vacaville, CA 95687	Ms. Sally Donez-Lacy	707-448-6847	sdonez-lacy@sidwater.org	GASB Study
Fresno Metropolitan Flood Control District	5469 E. Olive Avenue Fresno, CA 93717	Mr. David Pomaville	559-456-3292 559-456-2013 FAX	davidp@fresnofloodcontrol.org	GASB Study
City of Costa Mesa	77 Fair Drive, 1st Floor Costa Mesa, CA 92626-6520	Ms. Colleen O'Donoghue	714-754-5219	codonoghue@ci.costa-mesa.ca.us	GASB Study
Calexico Unified School District	901 Andrade Avenue Calexico, CA 92231	Ms. Patricia Rivas	760-768-3888 X 3805 760-768-3804 FAX	privas@calexico.k12.ca.us	New Client GASB Study
City of Cotati	201 W. Sierra Avenue Cotati, CA 94931	Mr. Jone Hayes	707-665-3629 707-665-4226 FAX	jhayes@ci.cotati.ca.us	New Client GASB Study
Bountiful City	790 South 100 East Bountiful, UT 84010	Galen Rasmussen, CPA	801-298-6117	galenr@bountifulutah.gov	GASB Study
Tooele City	90 N. Main Tooele, UT 84074	Ms. Kami Perkins, PHR	435-843-2105 435-843-2106 FAX	kamp@tooelecity.org	GASB Study
Cedar City Corporation	10 N. Main Cedar City, UT 84720	Mr. Jace Bunting, CPA	435-865-5104 435-586-4362 FAX	bjace@cedarcity.org	GASB Study
Town of Thomaston	158 Main Street Thomaston, CT 06787	Ms. Susan Costa	860-283-9678 860-283-1378	scosta@thomastonct.org	GASB Study Pension

Town of Paradise
Proposal to Perform an OPEB Actuarial Study

December, 2010

Appendix

Sample GASB 45 Financial Report
Sample GASB Summary
Sample of Modeler
Sample Contract



City of ABC
GASB 45 Financial Report

Fiscal Year Ending
December 31, 2009

Table of Contents

	Page
Certification	
Executive Summary	1
GASB Disclosures	
Required Supplementary Information	4
Annual Required Contribution (ARC)	4
Annual OPEB Cost and Net OPEB Obligation	5
Schedule of Funding Progress	6
Schedule of Employer Contributions	6
Historical Annual OPEB Cost	6
Reconciliation of Actuarial Accrued Liability (AAL)	7
Pay-as-you-go Cash Flow Projections	8
Assumption Sensitivity	9
Substantive Plan Provisions	11
Actuarial Methods and Assumptions	14
Summary of Plan Participants	18
Definitions	21
Appendix	
GASB Results by Fund	
GASB Results by Service	
Comparison of Participant Demographic Information	
Decrements Exhibit (Turnover and Mortality Rates)	
Retirement Rates Exhibit	
Illustrations of GASB Calculations for Non-Actuaries	

Certification

This report summarizes the GASB actuarial valuation for City of ABC for the 2009 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

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

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

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Nyhart



Randy Gomez, FSA, EA, MAAA

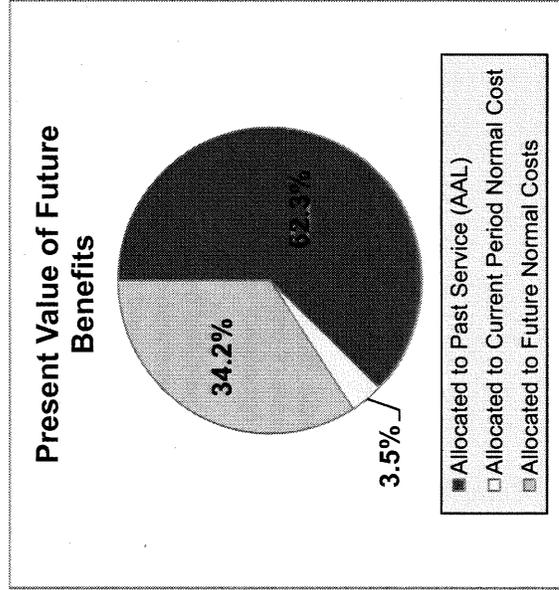
January 7, 2010

Sources of GASB Liabilities and Assets

1. The City of ABC explicitly subsidizes retiree health care coverage. See Substantive Plan Provisions section for more information on the City's explicit subsidy.
2. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a GASB 45 liability assigned to the City.
3. The City has historically funded its retiree health benefits on a pay-as-you-go basis except for the Teamsters, Firefighters, and Laborers VEBA.

Below is the breakdown of Present Value of Future Benefits (PVFB) allocated for past, current, and future service. Pages 2 and 3 show the GASB results for the fiscal year beginning January 1, 2009 based on the Projected Unit Credit cost method.

	Present Value of Future Benefits (PVFB)	Actuarial Accrued Liability (AAL) PVFB allocated to past service	Normal Cost (NC) PVFB allocated to current period service	Future Normal Costs PVFB allocated to future service
	A	B	C	D = A - B - C
As of 1/1/2009	\$ 84,091,394	\$ 52,380,424	\$ 2,983,293	\$ 28,727,677



PVFB is the amount needed as of January 1, 2009 to fully fund the City's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

AAL is the portion of PVFB considered to be accrued or earned as of January 1, 2009. This amount is a required disclosure in the Required Supplementary Information section.

NC is the portion of actuarial present value of retiree health care benefits and expenses allocated to 2008/09 by the actuarial cost method.

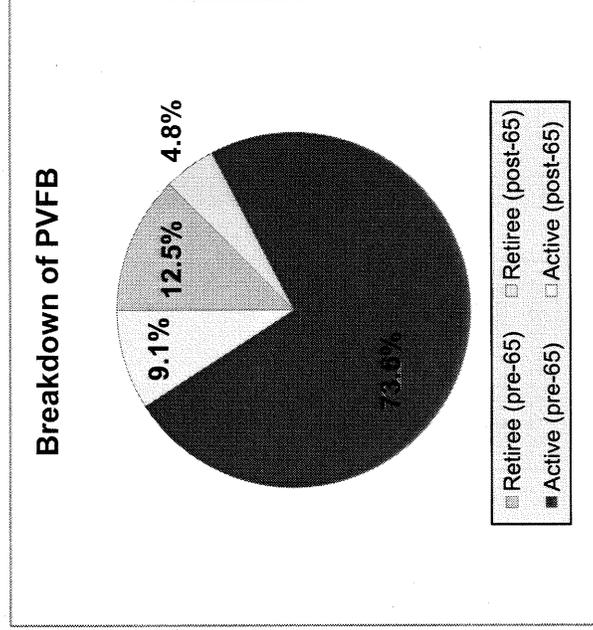
Asset Information

	<i>As of January 1, 2009</i>
Teamsters VEBA	\$ 1,250,353
Firefighters VEBA	1,627,741
Laborers VEBA ¹	N/A
Total GASB asset	\$ 2,878,094

Summary of Results

1. Present Value of Future Benefits (PVFB)

	<i>As of January 1, 2009</i>
Current retirees	
Explicit (Pre-Medicare)	\$ 2,209,813
Implicit (Pre-Medicare)	8,340,606
Post-Medicare	3,997,250
Total	\$ 14,547,669
Future retirees	
Explicit (Pre-Medicare)	\$ 24,415,739
Implicit (Pre-Medicare)	37,480,731
Post-Medicare	7,647,255
Total	\$ 69,543,725
Total PVFB	\$ 84,091,394
Discount Rate	4.5%



¹ Asset information was not available from the Laborers VEBA.

Summary of Results – Continued

2. Actuarial Accrued Liabilities (AAL)

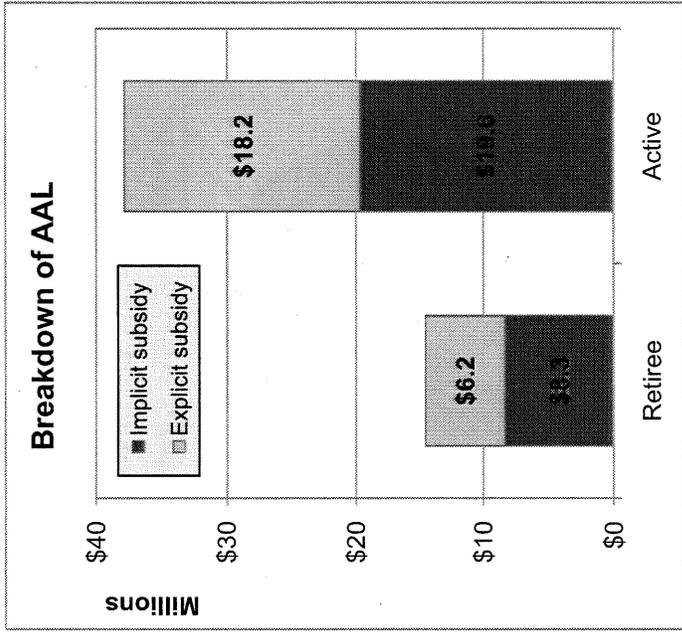
	As of January 1, 2009	
Current retirees		
Explicit (Pre-Medicare)	\$	2,209,813
Implicit (Pre-Medicare)		8,340,606
Post-Medicare		3,997,250
Total	\$	14,547,669
Future retirees		
Explicit (Pre-Medicare)	\$	14,235,167
Implicit (Pre-Medicare)		19,646,899
Post-Medicare		3,950,689
Total	\$	37,832,755
Total AAL	\$	52,380,424

Discount Rate

4.5%

3. Income Statement and Balance Sheet Impact

	2008	2009
Annual OPEB Cost (Affects Income Statement)	\$ 5,460,866	\$ 6,056,559
Total Employer Cash Contributions (Affects Income Statement)	\$ 2,501,538	\$ 2,802,050
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 6,101,112	\$ 8,480,112



Implicit Subsidies are additional employer liabilities when the inherently higher health care costs for retired employees are not directly reflected in the determination of the premium or premium equivalent rates.

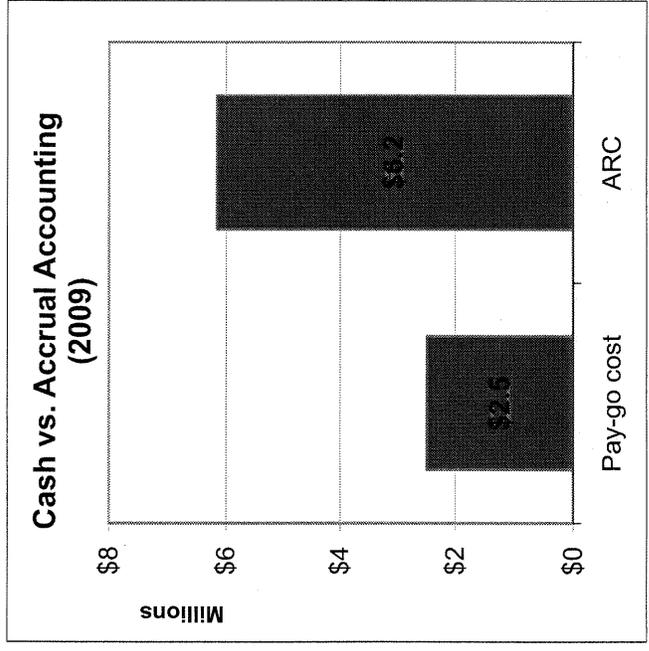
Explicit Subsidies are created when retirees are not charged the full cost of health care as measured by the premium or premium equivalent rates determined annually by the employer.

Required Supplementary Information

	2008	2009
Actuarial Accrued Liability as of beginning of year	\$ 46,367,443	\$ 52,380,424
Actuarial Value of Assets as of beginning of year	(3,032,738)	(2,878,094)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 43,334,705	\$ 49,502,330
Covered payroll	\$ 135,001,349	\$ 151,200,168
UAAL as a % of covered payroll	32.1%	32.7%

Annual Required Contribution

	2008 ²	2009
Normal cost as of beginning of year	\$ 2,611,644	\$ 2,983,293
Amortization of the UAAL for 30 years	2,417,147	2,908,157
Total normal cost and amortization payment	\$ 5,028,791	\$ 5,891,450
Adjustment for timing	226,296	265,115
Total Annual Required Contribution (ARC)	\$ 5,255,087	\$ 6,156,565



Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

² The Annual Required Contribution (ARC) for the 2008 year repeats the 2007 fiscal year ARC.

GASB Disclosures

Net OPEB Obligation	2008	2009
ARC as of end of year	\$ 5,255,087	\$ 6,156,565
Interest on Net OPEB Obligation (NOO) to end of year	205,779	274,550
NOO amortization adjustment to the ARC	0	(374,556)
Annual OPEB cost	\$ 5,460,866	\$ 6,056,559
Total annual employer contribution for pay-go cost	(2,501,538)	(2,064,572)
Total annual employer contribution for pre-funding	N/A	(737,478)
Change in NOO	\$ 2,959,328	\$ 3,254,509
NOO as of beginning of year	3,141,784	6,101,112
NOO as of end of year	\$ 6,101,112	\$ 9,355,621
Reversal of NOO for elimination of Firefighters VEBA benefit ³	N/A	(867,294)
Reversal of NOO for elimination of Swimming Pool fund	N/A	(8,215)
Adjusted NOO as of end of year	\$ 6,101,112	\$ 8,480,112

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

³ Firefighters VEBA OPEB benefit is dissolved as of December 31, 2009. Assets at year-end will be transferred to an outside entity that will handle post-retirement health benefits. Distribution of assets to each retired firefighter has not been finalized at the time of valuation.

Schedule of Funding Progress

As of	Actuarial Value of Assets (AVA) A	Actuarial Accrued Liability (AAL) B	Unfunded Actuarial Accrued Liability (UAAL) C = B - A	AVA as a % of AAL D = A / B	Covered Payroll E	UAAL as a % of Covered Payroll F = C / E
January 1, 2009	\$ 2,878,094	\$ 52,380,424	\$ 49,502,330	5.5%	\$ 151,200,168	32.7%
January 1, 2008	\$ 3,032,738	\$ 46,367,443	\$ 43,334,705	6.5%	\$ 135,001,349	32.1%
January 1, 2007	\$ 2,579,087	\$ 43,723,501	\$ 41,144,414	5.9%	\$ 135,001,349	30.5%

Schedule of Employer Contributions

FYE	Employer Contributions A	Annual Required Contribution (ARC) B	% of ARC Contributed C = A / B
December 31, 2009	\$ 2,802,050	\$ 6,156,565	45.5%
December 31, 2008	\$ 2,501,538	\$ 5,255,087	47.6%
December 31, 2007	\$ 2,113,303	\$ 5,255,087	40.2%

Historical Annual OPEB Cost

As of	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	\$ 6,056,559	46.3%	\$ 8,480,112
December 31, 2008	\$ 5,460,866	45.8%	\$ 6,101,112
December 31, 2007	\$ 5,255,087	40.2%	\$ 3,141,784

Reconciliation of Actuarial Accrued Liability

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

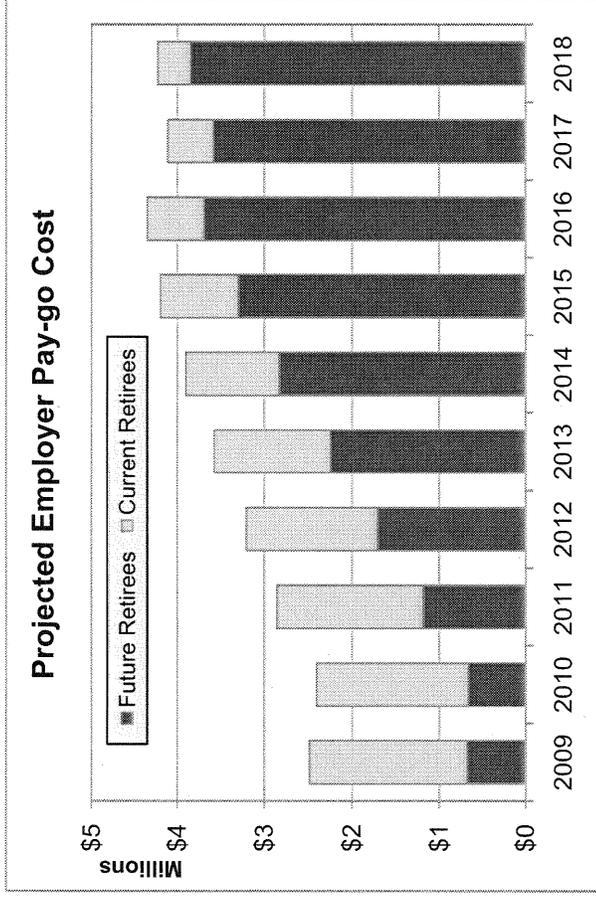
- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

	2007	2008	2009
Actuarial Accrued Liability as of beginning of year	\$ 43,723,501	\$ 46,367,443	\$ 52,380,424
Normal cost as of beginning of year	2,611,644	2,729,168	2,983,293
Expected benefit payments during the year	(2,008,097)	(2,341,709)	(2,490,360)
Interest adjustment to end of year	2,040,395	2,157,239	2,435,951
Actuarial (gain) / loss	0	3,468,283	0
Elimination of Firefighters VEBA OPEB benefit ⁴	N/A	N/A	(6,713,844)
Actuarial Accrued Liability as of end of year	\$ 46,367,443	\$ 52,380,424	\$ 48,595,464

⁴ Firefighters VEBA OPEB benefit is dissolved as of December 31, 2009. Assets at year-end will be transferred to an outside entity that will handle post-retirement health benefits. Distribution of assets to each retired firefighter has not been finalized at the time of valuation.

The projection below shows the anticipated pay-as-you-go cost for employer subsidized benefits for the next 10 years. Results are shown separately for current and future retirees. The projections include explicit and implicit subsidies.

FYE	Future Retirees	Current Retirees	Total
2009	\$ 675,560	\$ 1,814,800	\$ 2,490,360
2010	\$ 663,763	\$ 1,740,331	\$ 2,404,094
2011	\$ 1,183,327	\$ 1,669,668	\$ 2,852,995
2012	\$ 1,706,450	\$ 1,499,973	\$ 3,206,423
2013	\$ 2,243,457	\$ 1,326,150	\$ 3,569,607
2014	\$ 2,824,079	\$ 1,075,358	\$ 3,899,437
2015	\$ 3,294,567	\$ 902,026	\$ 4,196,593
2016	\$ 3,687,905	\$ 659,667	\$ 4,347,572
2017	\$ 3,576,462	\$ 535,175	\$ 4,111,637
2018	\$ 3,845,371	\$ 384,922	\$ 4,230,293



Health Care Trend Sensitivity

All actuarial present value calculations of future retiree healthcare costs use assumptions to model expected outcomes. As the final results are highly dependent on the assumptions used, it is important for users of this information to understand how each assumption affects the results. In order to quantify this assumption sensitivity, a comparison of key GASB disclosures determined using the baseline and alternative assumptions was done.

- Health care trend is the assumption that health care costs will increase each year in the future. Details of the baseline trend rates can be found in the Actuarial Methods and Assumptions section. Shown below are the results if the trend rates are 1% higher or 1% lower every year.

FYE 2009	Baseline	+1% Trend	-1% Trend
Unfunded Actuarial Accrued Liability	\$ 49,502,330	\$ 54,668,626	\$ 45,067,752
Normal Cost	\$ 2,983,293	\$ 3,458,884	\$ 2,588,836
Annual Required Contribution	\$ 6,156,565	\$ 6,970,725	\$ 5,472,112

Asset Pre-Funding Sensitivity

Another key actuarial assumption that requires sensitivity analysis is the interest rate assumption. The interest rate assumption is based on the plan's long-term expectation of asset returns based on its funding contribution policy. Below is comparison of key financial disclosures (actuarial liability, OPEB Cost and year-end Net Obligation) using the baseline interest rate and a higher interest rate if the City had a fully-funded contribution policy. For this purpose, a fully-funded contribution policy consists of three required elements:

1. A secured trust dedicated solely to OPEB retiree health assets,
2. An investment policy that is expected to generate high returns in the long-term, and
3. A policy of making annual contributions equal to the GASB 45 OPEB Cost.

Partially Pre-funded

2009

1. Net OPEB Obligation (NOO) as of beginning of year	\$ 6,101,112
2. Annual OPEB Cost	6,056,559
3. Contributions based on funding policy	2,802,050
4. Change in NOO (2) – (3)	3,254,509
5. Reversal of NOO for elimination of Firefighters VEBA benefit	867,294
6. Reversal of NOO for elimination of Swimming Pool fund	8,215
7. NOO as of end of year (1) + (4) – (5) – (6)	8,480,112

Discount rate used for liabilities and assumed asset return	4.5%
Actuarial Accrued Liabilities (AAL) at beginning of year	\$ 52,380,424
Assets at beginning of year	\$ 2,878,094

Fully-funded (What-If Scenario)

2009

1. Net OPEB Obligation (NOO) as of beginning of year	\$ 6,101,112
2. Annual OPEB Cost	5,282,411
3. Contributions based on funding policy	5,341,417
4. Change in NOO (2) – (3)	(59,006)
5. Reversal of NOO for elimination of Firefighters VEBA benefit	647,255
6. Reversal of NOO for elimination of Swimming Pool fund	5,584
7. NOO as of end of year (1) + (4) – (5) – (6)	\$ 5,389,267

Discount rate used for liabilities and assumed asset return	7.5%
Actuarial Accrued Liabilities (AAL) at beginning of year	\$ 40,653,841
Assets at beginning of year	\$ 2,878,094

Eligibility

Police, Fire
Police and Fire Supervisors

Police officers and firefighters are eligible for retiree health care coverage for life if they meet the following requirements:
1. Age 50 and retire on immediate annuity from the Your Retirement System (YRS); or
2. Age 50 with 20 years of service and retire on deferred annuity from YRS.

Teamsters

Employees represented by Teamsters Union Local No. 123 are eligible for retiree health care coverage for life if they meet the following requirements:
1. Age 55 and retire on immediate annuity from the Your Retirement System (YRS); or
2. Age 55 with 20 years of service and retire on deferred annuity from YRS.

All Other

All other employees are eligible for retiree health care coverage for life if they meet the following requirements:
1. Age 55 and retire on immediate annuity from the Your Retirement System (YRS); or
2. Age 55 with 20 years of service and retire on deferred annuity from YRS.

Medical Benefit

Same benefit options are available to retirees as an active employee. Medicaid Supplement and Medicare Supplement plans are available to retirees who are eligible for Medicaid and/or Medicare.

City of ABC is a member of the Government Employer Health Plan League (GEHPL) administered by the State of Anywhere. The health plans are financed on a fully-insured basis.

Dental and Life Insurance Benefit

No GASB liability is generated from dental and life insurance benefits since retirees pay the full cost of these benefits.

Spouse Benefit

Spouse coverage continues upon retiree's death as long as the spouse pays the full premium (i.e. the City explicit subsidy is discontinued upon retiree's death).

Retiree Cost Sharing

Retirees are responsible for the portion of premium rates not covered by the City explicit subsidy.

City Explicit Subsidy

Police and Police Supervisors
Fire and Fire Supervisors

The City will contribute up to 90% of the appropriate premium rates of the lowest bidder among the health care providers offered in the Anywhere Employer's Group Health Insurance program's Pixel County service area plan.

The City subsidy for Police and Police Supervisors was limited to \$850 per month in the last GASB valuation. This limit has been removed in this GASB valuation.

For the year beginning on January 1, 2010 the maximum City explicit subsidy is \$439.20 for single coverage and \$1,094.67 for family coverage.

Teamsters

In order to be eligible for the City explicit subsidy the employee must have completed 10 years of continuous years of full-time service with ABC Metro Transit in a position represented by the Union. The City explicit subsidy will be paid for a maximum of 5 consecutive years or until the retiree is eligible for Medicare, whichever is earlier.

The City will contribute up to 105% of the appropriate premium rates of the lowest bidder among the health care providers offered in the Anywhere Employer's Group Health Insurance program's Pixel County service area plan. The monthly contribution amount will not be adjusted over the 5 year period for the individual retiree. The base premium rate used to determine the maximum City explicit subsidy will be the lowest bidder among the health care providers in the year the employee retires.

For an employee who retires during 2010 the maximum City explicit subsidy is \$512.40 for single coverage and \$1,277.12 for family coverage.

All Other

None

Lowest Bidder

The 2010 premium rates of the lowest bidder among the health care providers offered in the Anywhere Employer's Group Health Insurance program's Pixel County service area plan are as shown below.

Coverage Level	Plan Name	Premium Rates
Single	Togetherness Health	\$ 488.00
Family	Togetherness Health	\$ 1,216.30

VEBA Benefit

Fire

The City shall contribute \$200,000 annually to the Union's retiree health insurance. The Union shall be responsible for the administration of the program and the City is not required to make any additional contribution to the fund during the contract term. Beginning with the start of the 2002 contract, and each year thereafter, the \$200,000 amount will be adjusted by the percentage of wage increase negotiated. The 2009 City contribution was \$255,599.

This benefit will be discontinued on December 31, 2009. The remaining asset in the trust will be transferred to an outside entity that will handle post-retirement health benefits. Distribution of assets to each retired firefighter has not been finalized at the time of valuation.

Beginning in 2010, the City will make a bi-weekly contribution of 1.25% of base pay into defined contribution individual account for each firefighter to this same entity.

Laborers

The City shall make a contribution to the Local 123 retiree health insurance fund. The amount contributed to the fund for 2006 is \$146,226. On the date of any wage increase each year thereafter, the \$146,226 will be adjusted by the percent of wage increase negotiated. The 2009 City contribution was \$178,879.

Teamsters

Beginning in January 2005 the City will deposit \$303,000 into an escrow account for contributions towards health premiums for retirees meeting the City explicit subsidy eligibility requirements.

Retirees will be eligible for premium contributions to the extent that funds are available in the escrow account. The City will not be required to make any additional payment to the account should the cost of providing premium contributions exceed the amount deposited. In the event that the escrow account becomes depleted, the eligible retirees will be responsible for paying the entire cost of the health premiums until new contributions are made.

The actuarial assumptions used in this report, represent a reasonable long-term expectation of future OPEB outcomes. As national economic and City experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

Measurement Date	December 31, 2009 with results that were projected backwards to January 1, 2009 on a "no loss/no gain" basis
Discount Rate	4.5% unfunded, 7.5% fully-funded (what-if scenario)
Salary Scale	3.0% per year
Cost Method	Projected Unit Credit
Amortization	Level dollar over thirty years based on an open group
Health Care Coverage Election Rate	Active employees with current coverage: 100% (Reduces to 70% once the City subsidy ends) Active employees with no coverage: 0%
Spousal Coverage	Inactive employees with current coverage: 100% Inactive employees with no coverage: 0% Based on actual data for current and future retirees. Husbands are assumed to be two years older than wives.
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	RP-2000 Combined Mortality Table projected to 2010 using Scale AA.
Disability	None

Turnover Rates

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months.

Annual turnover rates were adjusted to reflect the City's actual withdrawal experience based on historical information for the past 4 years. Sample annual turnover rates are shown below:

Age	General	Teamsters	Police
25	5.3%	7.9%	0.4%
30	4.8%	7.2%	3.4%
35	4.5%	6.7%	3.1%
40	3.8%	5.8%	2.7%
45	3.2%	4.8%	2.3%
50	1.5%	2.3%	1.1%
55	0.3%	0.5%	0.2%

No pre-retirement turnover was assumed for firefighters.

Retirement Rates

Annual retirement rates by group are as shown below.

Police and Firefighters			
Age	< 25 YOS	25+ YOS	
50 - 52	10%	25%	
53	20%	100%	
54	75%	100%	
55	100%	100%	

Teamsters and General Employees

Age	All YOS
55 - 61	10%
62	30%
63 - 64	20%
65+	100%

Health Care Trend Rates

FYE	Health	City Subsidy
2010	8.0%	8.0%
2011	7.5%	7.5%
2012	7.0%	7.0%
2013	6.5%	6.5%
2014	6.0%	6.0%
2015	5.5%	5.5%
2016	5.0%	5.0%
2017+	4.5%	4.5%

Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

City Subsidy

City's explicit subsidies are assumed to increase with City Subsidy trend rates.

VEBA Benefit

The City VEBA contributions for laborers are assumed to increase 3% annually. The City VEBA contributions for Teamsters are assumed to be constant.

Per Capita Costs

Annual per capita costs were calculated based on a weighted average of the 2010 premium rates by plan for all active employees and retirees under 65 actuarially increased using current enrollment and health index factors. Annual per capita costs are as shown below:

Age	Male	Female
<55	\$ 6,300	\$ 7,600
55 – 59	\$ 8,800	\$ 8,500
60 – 64	\$ 11,200	\$ 9,900

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

The costs are assumed to increase with health care trend rates.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retired firefighters under age 65.

	Premium Rate ⁵	Retiree Contribution	Explicit Subsidy ⁶
	A	B	C = A - B
Single	\$ 510.75	\$ 71.55	\$ 439.20
Family	\$ 1,264.70	\$ 170.03	\$ 1,094.67

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a 60 – 64 male retiree.

	Per Capita Cost	Premium Rate ²	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 933.33	\$ 510.75	\$ 422.58
Spouse	\$ 825.00	\$ 753.95	\$ 71.05

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

⁵ The premium rate shown above is a weighted average by enrollment of the plans elected by City of ABC's employees in 2010.

⁶ Explicit subsidy is limited to 90% of the 2010 premium rates for the Togetherness Health plan.

Active Employees

Enrollment figures shown below are based on eligibility groups. Employees are categorized into the four eligibility groups below based on their respective compensation group numbers.

	Comp Group #		Eligibility Group		Total	Avg. Age	Avg. Svc	Salary
	11 and 12	13 and 14	Police	Fire				
			41 and 42	Teamsters				
			All others	General				
Actives with Coverage	Single	Non-Single						
Fire	71	242	313		41.5	13.1	\$ 20,300,216	
General	528	901	1,429		47.0	14.0	\$ 78,246,331	
Police	156	268	424		39.8	11.6	\$ 26,553,800	
Teamsters	112	253	365		48.6	14.3	\$ 18,130,979	
Total actives with coverage	867	1,664	2,531		45.3	13.5	\$ 143,231,326	
Actives without coverage⁷			160		46.3	11.9	\$ 7,968,842	

⁷ Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from GASB valuation.

Summary of Plan Participants

Inactive Employees

Retirees with Coverage	Single	Non-Single	Total	Avg. Age
Pre-Medicare				
Fire	32	32	64	60.8
General	120	45	165	59.1
Police	44	32	76	59.5
Teamsters	12	18	30	60.6
Total pre-Medicare retirees	208	127	335	59.6
Post-Medicare				
Fire	42	63	105	75.9
General	226	115	341	77.0
Police	35	40	75	75.0
Teamsters	33	16	49	74.1
Total post-Medicare retirees	336	234	570	76.3

Active Age-Service Distribution

Age	Years of Service											Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up			
Under 25	11	32											43
25 to 29	18	123	31	2									174
30 to 34	10	114	122	36	2								284
35 to 39	9	76	110	124	33	2							354
40 to 44	6	69	82	132	82	22	3						396
45 to 49	7	45	82	110	107	95	29	7					482
50 to 54	6	39	46	64	72	83	60	62	4				436
55 to 59	3	23	31	42	47	56	52	63	19	1			337
60 to 64	1	10	20	23	23	18	18	13	12	7			145
65 to 69		1	5	4	6	5	4	1	3	1			30
70 & up			1	4	1	1	1	1	1	1			10
Total	71	532	530	541	373	282	167	147	38	10			2,691

Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, turnover, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **Healthcare Cost Trend Rate** – The rate of change in the 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.

Definitions

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.

APPENDIX

Appendix A – GASB Results by Fund

	Actuarial Accrued Liabilities (AAL) As of January 1, 2009	Annual Required Contribution (ARC) For 2009	Net OPEB Obligation (NOO) As of December 31, 2009
1	Golf Courses \$ 81,770	\$ 8,585	\$ 15,932
2	Libraries \$ 858,102	\$ 93,199	\$ 184,851
3	Housing HUD South \$ 44,195	\$ 5,640	\$ 14,476
4	Housing HUD North \$ 41,814	\$ 5,274	\$ 17,215
5	Housing HUD Tri-Plex \$ 41,305	\$ 5,968	\$ 10,721
6	Housing HUD CO \$ 160,759	\$ 13,261	\$ 506
7	Housing Vouchers \$ 88,580	\$ 13,702	\$ 28,290
8	Convention Center \$ 221,290	\$ 37,871	\$ 100,931
9	Parking \$ 420,438	\$ 54,694	\$ 106,724
10	Transit \$ 7,828,842	\$ 905,662	\$ 1,236,516
11	Water \$ 1,090,692	\$ 121,787	\$ 168,442
12	General Fund \$ 39,629,627	\$ 4,691,855	\$ 6,245,944
13	Fleet Service \$ 1,364,613	\$ 133,009	\$ 188,358
14	Community Development \$ 82,375	\$ 10,320	\$ 23,248
15	Overture Center \$ 204,323	\$ 38,074	\$ 97,349
16	Public Health \$ 221,699	\$ 17,664	\$ 40,609
17	Housing HUD \$ -	\$ -	\$ -
18	Swimming Pool \$ -	\$ -	\$ -
Total	\$ 52,380,424	\$ 6,156,565	\$ 8,480,112

Appendix B – GASB Results by Service

	<i>Actuarial Accrued Liabilities (AAL) As of January 1, 2009</i>	<i>Annual Required Contribution (ARC) For 2009</i>	<i>Net OPEB Obligation (NOO) As of December 31, 2009</i>
Administration	\$ 1,168,416	\$ 148,364	\$ 220,093
General Government	\$ 132,718	\$ 14,708	\$ 34,171
Planning & Development	\$ 2,250,446	\$ 269,385	\$ 397,996
Public Facilities	\$ 425,613	\$ 75,944	\$ 198,282
Public Safety & Health	\$ 29,396,758	\$ 3,538,824	\$ 4,624,267
Public Works	\$ 19,006,473	\$ 2,109,340	\$ 3,005,303
Total	\$ 52,380,424	\$ 6,156,565	\$ 8,480,112

Appendix C – Comparison of Participant Demographic Information

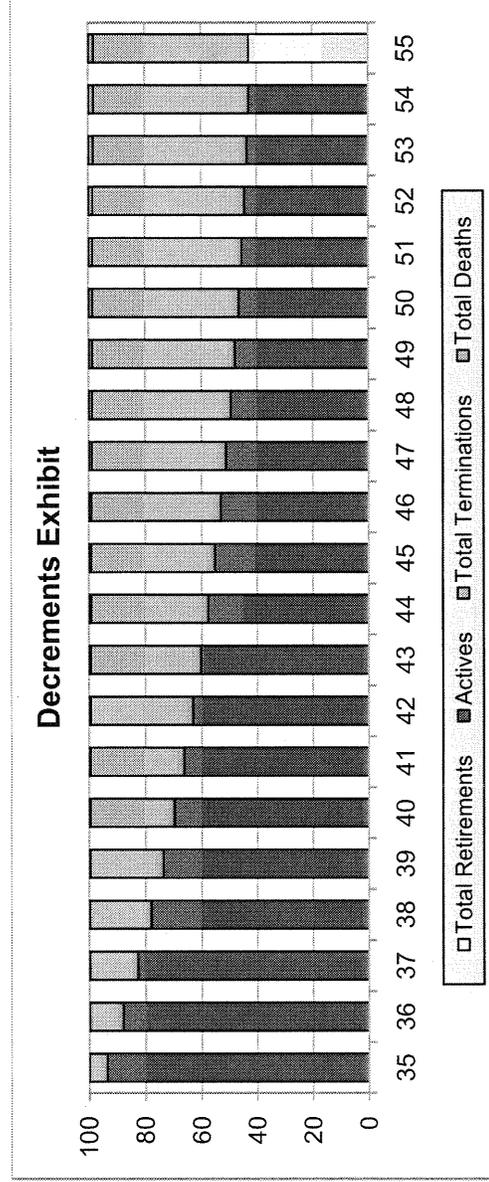
	As of Dec. 31, 2009	As of Dec. 31, 2007
Active Participants		
With coverage	2,531	2,536
Without coverage	160	177
Total active	2,691	2,713
Inactive Participants		
Pre-Medicare	335	379
Post-Medicare	570	656
Total inactive	905	1,035
Averages for Active		
With coverage		
Age	45.3	44.9
Service	13.5	13.3
Without coverage		
Age	46.3	44.9
Service	11.9	10.8
Average Age for Inactive		
Pre-Medicare	59.6	59.7
Post-Medicare	76.3	76.5

Appendix D – Decrements Exhibit (Turnover and Mortality Rates)

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 42,949 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# Deaths per year*	# of Terminations per year*	# of Retirements per year*	Total Decrements
35	100,000	0.077	6,276	0.000	6,353
36	93,647	0.079	5,672	0.000	5,751
37	87,896	0.079	5,127	0.000	5,206
38	82,690	0.080	4,636	0.000	4,716
39	77,974	0.080	4,194	0.000	4,274
40	73,700	0.080	3,796	0.000	3,876
41	69,824	0.080	3,436	0.000	3,516
42	66,308	0.081	3,109	0.000	3,190
43	63,118	0.082	2,811	0.000	2,893
44	60,225	0.084	2,539	0.000	2,623
45	57,602	0.087	2,290	0.000	2,377

Age	# Remaining Employees	# Deaths per year*	# of Terminations per year*	# of Retirements per year*	Total Decrements
46	55,225	0.089	2,058	0.000	2,147
47	53,078	0.092	1,839	0.000	1,931
48	51,147	0.095	1,629	0.000	1,724
49	49,423	0.099	1,425	0.000	1,524
50	47,899	0.102	1,227	0.000	1,329
51	46,570	0.114	1,037	0.000	1,151
52	45,419	0.121	0,856	0.000	0,977
53	44,442	0.130	0,688	0.000	0,818
54	43,624	0.139	0,536	0.000	0,675
55	42,949	0.000	0.000	42,949	42,949

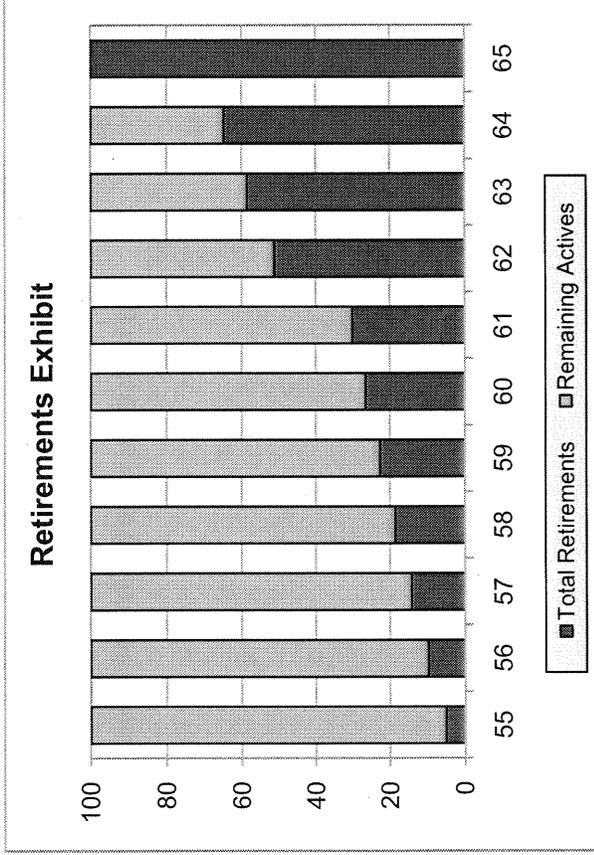


* The above rates are illustrative rates and are not used in our GASB calculations.

Appendix E – Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per year	Active Employees EOY
55	100.000	5%	5.000	95.000
56	95.000	5%	4.750	90.250
57	90.250	5%	4.513	85.738
58	85.738	5%	4.287	81.451
59	81.451	5%	4.073	77.378
60	77.378	5%	3.869	73.509
61	73.509	5%	3.675	69.834
62	69.834	30%	20.950	48.884
63	48.884	15%	7.333	41.551
64	41.551	15%	6.233	35.318
65	35.318	100%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Appendix F – Illustration of GASB Calculations for Non-Actuaries

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.
2. Employee X is age 50 and has worked 20 years with the employer.
3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	\$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	\$74,666	Present value of projected retirement benefit measured at employee's current age = $A \times B \times C \times D$

Appendix F – Continued

III. Calculation of Actuarial Accrued Liability

Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	\$59,733	Actuarial accrued liability measured at employee's current age = $A \times B / C$

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	\$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	\$2,987	Normal Cost for the current year
B.	\$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	\$292	Interest adjustment = $4.5\% \times (A + B)$
D.	\$6,788	Annual Required Contribution = $A + B + C$

GASB 45 Summary

Presented by Randy Gomez, FSA, EA, MAAA
Chief Actuary, Nyhart
2008

Table of Contents

- Data
- Plan Provisions
- Historical Information
- Cost of Health Care
- Cost of Retiree Health Care
- Assumptions
- 10-Year Open Group Projection
- GASB 45 Accounting Treatment
- Manage Liability with Pre-Funding
- Budgets and Credit Ratings

Data

	BCBS PPO	BCBS HSA
Active Single Coverage	180	38
Active with Family Coverage	378	34
Total Active	558	72
Retiree Single Coverage	2 (pre 65) 3 (post 65)	None
Retiree with Family Coverage	2 (pre 65) 3 (post 65)	None
Total Retiree	10	0
Total Active and Retiree with Coverage	568	72

There are 47 Actives with no Health Coverage.
Part-time employees are ineligible for Health Coverage.

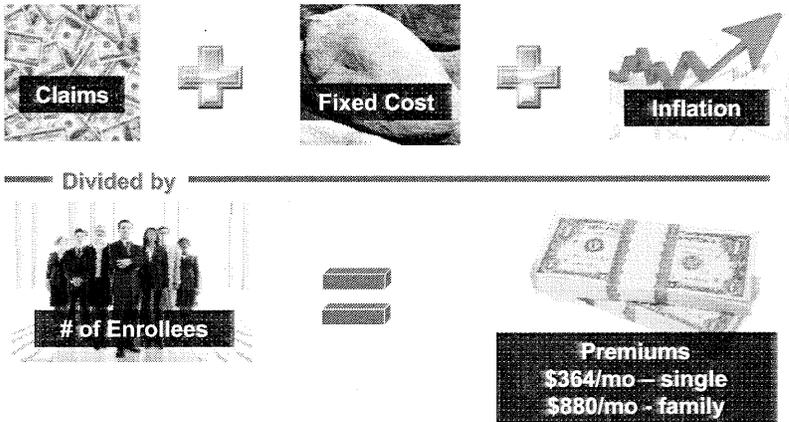
Plan Provisions

Coverage	Medical coverage begins at retirement	
Eligibility	Age 55 with 20 years of service with municipalities The same eligibility applies for disability retirement benefit	
Spousal Benefit	Coverage continues after the death of the retiree	
2006 Premium Rates	BCBS PPO	BCBS HSA
Single	\$217.61	\$131.24
Family	\$519.79	\$296.59
Increment for Spouse	\$302.18	\$165.34

Historical Information

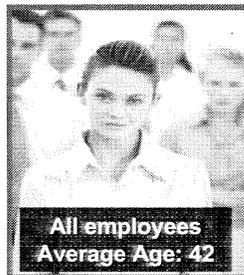
	BCBS PPO	
	Single Premium Rate	% Change
2006	\$ 217.61	3.0%
2005	\$ 211.20	10.9%
2004	\$ 190.46	9.5%
2003	\$ 173.94	-10.9%
2002	\$ 195.22	12.1%
2001	\$ 174.10	N/A

The Cost of Health Care

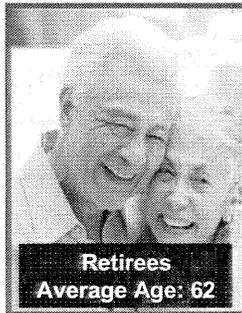


The Cost of Retiree Health Care

\$415 per month



\$850 per month



Implicit Subsidy

\$435



6

Assumptions

Measurement Date:	January 1, 2008
Fiscal Year:	Calendar year
Revenue:	Revenue is more than \$10 million but less than \$100 million.
Discount Rate:	4.5% as of January 1, 2008
Salary Scale:	3.5
Contribution:	BCBS PPO: \$218 for Retiree and \$302 for Spouse BCBS HSA: \$131 for Retiree and \$165 for Spouse Contributions were assumed to increase with Health Care Trend Rates. The contribution policy for retiree coverage is to charge the full premium rate.

7

Assumptions

2008 Per Capita Costs

Annual per capita costs based on 2006 Premium Rates for BCBS PPO are assumed to be:

	BCBS PPO	BCBS HSA
< 45	\$2,500	\$2,125
45-49	\$3,100	\$2,635
50-54	\$3,600	\$3,060
55-59	\$4,700	\$3,995
60-64	\$5,800	\$4,930

Per capita costs for BCBS HSA are assumed to be 85% of BCBS PPO per capita costs based on the relative value of the plan design.
The per capita costs were actuarially increased using health index factors and current enrollment.

Assumptions

Withdrawal Rate

T-5 (non-employer specific table)

Sample rates are shown below:

Age	Rate
25	7.72%
40	5.15%
50	2.56%
60	0.90%

Health Care Cost Trend Rate

Starting at 12% in 2006 decreasing 1% each year until it reaches 8% in 2010 and decreasing 0.5% each subsequent years until it reaches 4.5% in 2017.

Assumptions

Retirement Incidence

Age Bands	< 28 YOS	28+ YOS
55-59	5%	15%
60-61	15%	30%
62	35%	50%
63-64	25%	50%
65+	100%	100%

10-Year Open Group Projection

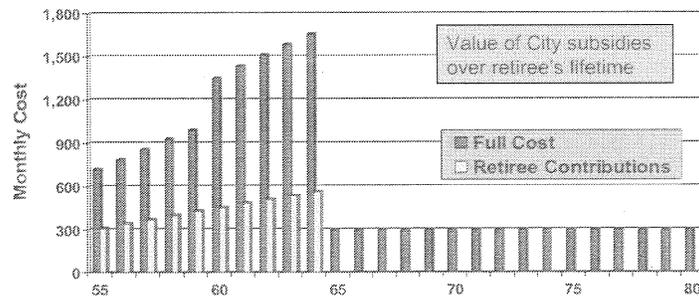
Year	Benefit Payments (in thousands)	Present Value of Future Benefits (in thousands)	EAN % Salary Actuarial Accrued Liability (in thousands)
2006	\$27	\$7,915	\$3,984
2007	\$39	\$8,481	\$4,458
2008	\$52	\$9,058	\$4,951
2009	\$65	\$9,657	\$5,461
2010	\$87	\$10,271	\$5,990
2011	\$115	\$10,908	\$6,531
2012	\$125	\$11,563	\$7,079
2013	\$131	\$12,246	\$7,654
2014	\$161	\$12,954	\$8,263
2015	\$180	\$13,676	\$8,881

10-Year Open Group Projection

Year	Original Actives			New Entrants			Emerging Inactive	
	Number	Average Age	Average Service	Number	Average Age	Average Service	Number	Average Age
2006	630	38.9	8.1	0	N/A	N/A	0	N/A
2007	592	40.0	9.0	38	30.5	0.0	9	62.5
2008	568	41.1	9.9	72	31.0	0.6	14	62.2
2009	527	42.2	10.8	103	31.6	1.0	21	62.4
2010	500	43.4	11.8	130	32.0	1.4	26	62.9
2011	473	44.4	12.7	157	32.6	1.9	33	63.9
2012	447	45.4	13.6	183	33.1	2.3	43	64.7
2013	423	46.4	14.5	207	33.6	2.7	51	65.3
2014	402	47.5	15.4	228	34.1	3.2	58	66.6
2015	382	48.5	16.3	248	34.6	3.6	66	65.9

12

GASB 45 Accounting Treatment



Total Subsidies = \$147,000

Total Subsidies Discounted (4.5%/year) to Age 55 = \$96,000

13

GASB 45 Accounting Treatment

- Current treatment (pay-as-you-go basis)
 - Health care expense = claims + fixed costs
 - No distinction between active and retired costs
 - No year-end obligation under pay-as-you-go basis

Debit	Credit
Record expense equal to claims	Spend cash to pay claims

GASB 45 Accounting Treatment

- Under GASB 45 must disclose the actuarial present value of accrued liabilities

Required Supplementary Information	
Actuarial accrued liability	10,262,000
Assets set aside	0
Unfunded actuarial accrued	10,262,000
Payroll	12,289,000
Unfunded as a % of payroll	84%

GASB 45 Accounting Treatment

- GASB 45 treatment (accrual basis)
 - Being asked to expense today money to be spent in the future
 - Health care expense = claims + fixed costs + portion of future expenses
 - Based on retiree costs (not blended active/retiree costs)

Income Statement Impact		Balance Sheet Impact	
Debit	Credit	Debit	Credit
Record expense equal to current + future claims (\$1,312,000)	Spend cash to pay current year claims (\$161,000)		Obligation for "contribution" shortfall (\$1,151,000)
	Credit side is "short" \$1,151,000		Fund Balance reduced by amount of Obligation (-\$1,151,000)
		Net OPEB Obligation	

Annual Required Contribution (ARC) points to the debit entry in the Income Statement.

6/1/2009

16

Manage Liability with Pre-Funding

Measure	No Prefunding	Prefunding
Interest Rate	4.5%	7.5%
Annual Required Contribution	\$ 1,312,000	\$ 961,000
Cash Contribution	\$ 161,000	\$ 961,000
Current Year Claims Cost	-\$ 161,000	-\$ 161,000
End of Year OPEB Obligation	\$ 1,151,000	\$ 0
End of Assets	\$ 0	\$ 829,000

17

6/1/2009

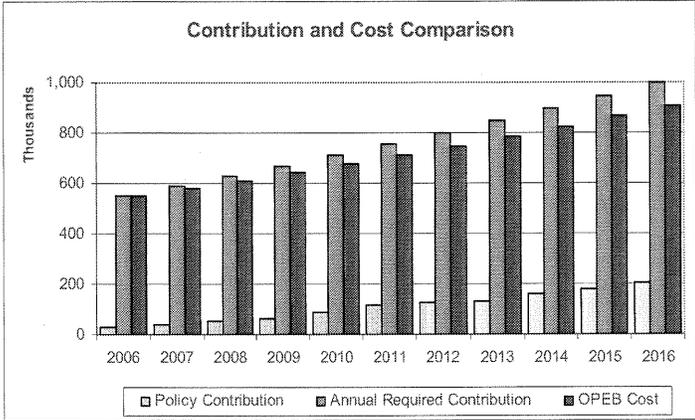
Budgets and Credit Ratings

FYE	Cash Expense in Budget for Retirees	Bond Repayments	Projected Retiree Subsidies
2008	\$ 35,000	\$ 300,000	\$ 161,000
2009	\$ 45,000	\$ 300,000	\$ 218,000
2010	\$ 55,000	\$ 300,000	\$ 275,000
2011	\$ 65,000	\$ 300,000	\$ 339,000
2012	\$ 75,000	\$ 300,000	\$ 395,000
2013	\$ 85,000	\$ 300,000	\$ 453,000

GASB Modeling Tool

		2006	2007
Interest Discount Rate	2.00%	<input type="text" value="2.00%"/>	<input type="text" value="2.00%"/>
Return on Assets	2.00%	<input type="text" value="2.00%"/>	<input type="text" value="2.00%"/>
Additional Employer Contribution above pay-as-you-go cost	\$400,000	<input type="text" value="\$400,000"/>	<input type="text" value="\$80,000"/>
Plan Changes	0%	<input type="text" value="0%"/>	<input type="text" value="0%"/>
Year when Plan Changes are implemented	2009	<input type="text" value="2009"/>	<input type="text" value="2009"/>
Retiree Contribution	1,800	<input type="text" value="1,800"/>	<input type="text" value="1,800"/>
Spouse Contribution	1,800	<input type="text" value="1,800"/>	<input type="text" value="1,800"/>
Initial Trend Rate	11.00%	<input type="text" value="11.00%"/>	<input type="text" value="11.00%"/>
Ultimate Trend Rate	4.50%	<input type="text" value="4.50%"/>	<input type="text" value="4.50%"/>
Years to Ultimate Trend Rate	12 years	<input type="text" value="12 years"/>	<input type="text" value="12 years"/>

GASB Contributions and Costs



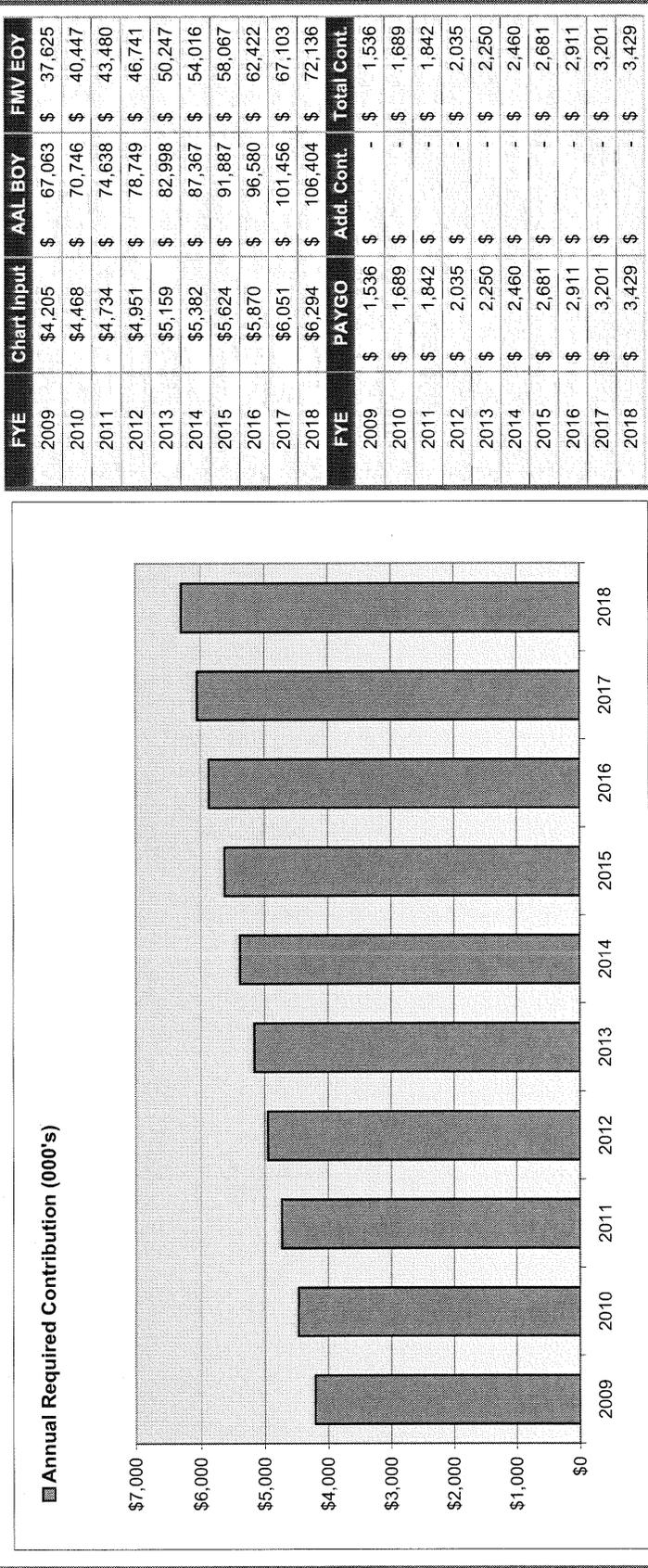
GASB 43/45 Projection Modeler

#VALUE!

Amortization method: Open - level dollar

Additional contribution: See phase-in contributions
 Amortization period: 30.0 years
 Payroll growth: N/A

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fiscal year ending										
Phase-in contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional non-repeating contribution	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Projected net asset returns	\$ 35,000,000									
Initial Year 1 Assets	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Policy Discount Rate										



Sample Contract

Date

Personal and Confidential

Name
Address

Dear Name:

We are pleased to have the opportunity to assist you in providing actuarial services _____, _____ We would like to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. This engagement letter will outline the services that Nyhart provides and the fees for such services.

Annual Actuarial Services for GASB 45

For each plan year, Nyhart will provide the following actuarial services:

- Data collection and analysis
- Preparation of a comprehensive annual report/actuarial valuation
- Disclosures as required by GASB 45 for actuarial purposes

Fees

The actuarial fees are outlined in Appendix A.

Additional Services

Non-routine services such as plan design changes, plan termination services, plan amendments, research, etc. are billed on a time and materials basis. Estimates are provided upon request.

All services to be provided by Nyhart are subject to your full cooperation and prompt submission of accurate data.

Nyhart will rely on any and all information that you provide pursuant to this agreement and on file at our office as to accuracy and completeness. Nyhart will have no responsibility to verify such information and no liability for errors or omissions as a result of relying on such information. In the event that Nyhart is found to be liable for an error or an omission arising from our reliance upon the information provided by _____, Nyhart's liability shall be limited to the current year's annual fees.

It is understood that to the extent Nyhart performs the services set forth in this agreement, it is not a fiduciary.

Name
Date
Page 2

If the foregoing is in accordance with your understanding, then please sign both copies of this engagement letter in the space provided below and return both copies to our office. We will then sign both copies and return one copy to you for your file. Should you have any questions about any of the services or fees outlined above, please feel free to contact our office.

Finally, by signing this engagement letter, you are confirming that the following information is accurate:

Name of Municipal Entity: _____

Address: _____

Telephone Number: _____

Employer Identification Number: _____

Management Representative: _____

Please review the above information and make any corrections.

This is not a valid agreement until executed by both parties.

Nyhart

Employer

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____



Town of Paradise

BARTTEL
ASSOCIATES, LLC

**Proposal for Governmental Accounting Standards Board
Statement No. 45 Actuarial Valuation**

December 14, 2010

Bartel Associates, LLC
411 Borel Avenue, Suite 101
San Mateo, California 94402
Phone: 650-377-1600
Fax: 650-345-8057
Email: jbartel@bartel-associates.com

Transmittal Letter

Section 1

Introduction..... 1

Section 2

Bartel Associates..... 3

Section 3

Qualifications and References 5

Section 4

Work Plan 10

Section 5

Project Team 13

Section 6

Fees 14

Section 7

Data 16

Appendices

- A. Bartel Associates' Services
- B. Senior Staff Biographies
- C. Certificate of Liability Insurance
- D. GASB 45 Summary

December 14, 2010

Gina S. Will
Director of Finance/Town Treasurer
Town of Paradise
5555 Skyway
Paradise, CA 95969

Re: Proposal for GASB 45 Actuarial Valuation

Dear Ms. Will:

We are pleased to provide our response to the Town of Paradise's Request for Proposal for Governmental Accounting Standards Board Statement No. 45 (GASB 45) actuarial consulting services.

Our proposal includes our firm's background and qualifications, references, the project scope, our estimated fee, the personnel assigned to the project, and our proposed timetable.

Bartel Associates is uniquely qualified to prepare the Town's GASB 45 valuation:

- Bartel Associates was established to provide quality and cost-effective actuarial consulting services to California public agencies. Our services include retiree medical and other postemployment benefit actuarial valuations, pension plan valuations and administration, retiree medical plan and pension plan design, actuarial audits, and CalPERS retirement plan consulting.
- As a member of the special task force which assisted GASB in drafting Statement No. 45, I have consulted with many counties, cities, districts, and other public agencies on GASB 45 issues. I am currently a member of the California Actuarial Advisory Panel and have also served as a consultant to the Governor's Public Employee Post-Employment Benefits Commission.
- We regularly present the results of our actuarial studies to county boards of supervisors, city councils, and district boards of directors. Our presentations are clear, concise, and understandable to non-actuaries.
- Our GASB 45 actuarial studies include a comparison of the costs and liabilities with other public sector GASB 45 actuarial studies that we have completed.

Gina S. Will
December 14, 2010
Page 2



Our proposal is valid for 90 days after the closing date for submission of proposals. Please contact me at 650-377-1601 (jbartel@bartel-associates.com) or my associate Doug Pryor at 650-377-1602 (dpryor@bartel-associates.com) if you have any questions regarding our proposal.

We look forward to hearing from you.

Sincerely,

John E. Bartel
President

c: Doug Pryor – Bartel Associates, LLC
Marilyn Oliver – Bartel Associates, LLC
Joseph D'Onofrio – Bartel Associates, LLC

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SECTION 1 INTRODUCTION

Retiree Healthcare Plan

The Town provides retiree medical benefits through the CalPERS healthcare program (PEMHCA). The Town provides a contribution for eligible employees who retire directly from the Town under CalPERS using the 5% unequal method. The Town does not provide contributions for retiree dental, vision, or life insurance benefits. The Town has approximately 102 active employees eligible for healthcare benefits and 69 retirees currently receiving healthcare benefits. The Town currently accounts for retiree healthcare costs on a pay-as-you-go basis.

GASB 45

The Governmental Accounting Standards Board (GASB) approved Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" in 2004. GASB 45 provides accounting standards for non-pension postemployment benefits, primarily postretirement medical benefits. (GASB 43 covers reporting and disclosure requirements for "OPEB" plans.) Under GASB 45:

- Obligations are measured on an accrual rather than on a pay-as-you-go basis.
- The discount rate must be based on the source of funds used to pay benefits. For funded plans, this means the underlying expected long-term rate of return on plan assets. Since the source of funds for unfunded plans is usually an agency's investment fund, and because California and most other state laws restrict what investments agencies can have in their investment funds, unfunded plans will need to use a low (for example, 4.5%) discount rate.
- "Implied subsidies" must be included in GASB 45 retiree costs and liabilities for non-community rated healthcare plans. Implied subsidies arise when retiree premiums do not represent the expected costs of the underlying retiree group, for example, when the same premium rates are charged for active employees and pre-Medicare eligible retirees. Agencies should adjust reported annual active employee healthcare costs by the expected retiree implied subsidy. Retiree healthcare plans covered by the PEMHCA are generally considered community rated and not required to value this subsidy.
- Assets can be recognized for GASB 45 only if they are set aside in an irrevocable trust set up exclusively to pay plan benefits.

Accounting for OPEB under GASB 45 can have a significant impact on the Town's financial statements. GASB 45's effective dates depend on when the Town was required to implement GASB Statement No. 34:

<u>GASB 34</u>	<u>1998/99 Revenue</u>	<u>Fiscal Year Effective</u>
Phase 1	≥ \$100 million	2007/08
Phase 2	\$10 to \$100 million	2008/09
Phase 3	< \$10 million	2009/10

SECTION 1 INTRODUCTION

We have assumed that the Town is a Phase 3 agency under GASB 34 and is required to implement GASB 45 for the 2009/10 fiscal year.

GASB 45 requires that an actuarial valuation be performed at least biennially for retiree healthcare plans with 200 or more members and at least triennially for plans with fewer than 200 members. However, a new valuation must be done if any significant changes have occurred since the last valuation, for example, to plan membership, benefit provisions, or the basis of any long-term actuarial assumptions. CalPERS, however, requires that agencies participating in the California Employers' Retiree Benefit Trust (CERBT) perform actuarial valuations at least biennially in order for the trust to satisfy the requirements of GASB 43. Beginning in 2011, CalPERS will require valuations be prepared with valuation dates of June 30 of each odd numbered year.

The Town must include GASB 45 disclosures in its financial statement for years for which a new valuation is not required. GASB 45 allows the use of a valuation for a fiscal year if the valuation date is not more than 24 months before the beginning of the 2-year or 3-year valuation cycle if there have been no significant changes. A summary of GASB 45 is provided in Appendix D.

Any questions regarding this proposal can be addressed to either:

John E. Bartel
President
650-377-1601
jbartel@bartel-associates.com

Doug Pryor
Vice President
650-366-1602
dpryor@bartel-associates.com

SECTION 2

BARTEL ASSOCIATES

Bartel Associates, LLC is an actuarial consulting firm specializing in providing California counties, cities, districts, and other public agencies with actuarial consulting services including retiree medical valuations, pension plan valuations, retirement plan design, actuarial audits, and CalPERS retirement consulting.

The firm's founder, John Bartel, has over 30 years of experience as a retirement consultant and practice leader with major consulting firms. John founded Bartel Associates to provide public sector clients high quality actuarial services at reasonable fees, focusing on personal attention and clear results.

John Bartel was a member of the special task force which assisted the Governmental Accounting Standards Board (GASB) in drafting Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). He was directly involved in the statement's development and has assisted numerous public agencies quantify and understand the impact of this new accounting standard.

John was appointed in January 2010 by Governor Schwarzenegger to the California Actuarial Advisory Panel (CAAP) formed under recent legislation (SB 1123). CAAP is charged with providing impartial and independent information on pensions, other postemployment benefits, and best practices to California public agencies. Its responsibilities include:

- Defining actuarial model policies and best practices for public retirement plan pensions and other postemployment benefits
- Developing pricing and disclosure standards for California public sector benefit improvements
- Developing quality control standards for California public sector actuaries
- Gathering model funding policies and practices
- Replying to policy questions from public retirement systems in California
- Providing comment upon request by public agencies

John Bartel served as consultant for the California State Office of Finance to the Governor's Public Employee Post-Employment Benefits Commission, charged with review of policy regarding the State's public employee retirement benefits. He has spoken at an array of organizational meetings including those for Enrolled Actuaries, Conference of Consulting Actuaries, League of California Cities, California Society of CPAs, California Public Employee Labor Relations Association, and California Society of Municipal Finance Officers.

Our services include:

- OPEB Plans - We have prepared "Other Postemployment Benefit" actuarial studies and valuations for over 250 California counties, cities, districts, and agencies to assist with compliance with GASB Statements Nos. 43 and 45. We also prepare valuations for compensated absence plans, such as plans that allow the conversion of accumulated sick leave to retiree healthcare accounts, for compliance with GASB 16.

SECTION 2

BARTEL ASSOCIATES

- CalPERS Consulting - We provide CalPERS pension consulting services and have made presentations to county boards of supervisors, city councils, district boards of directors, employee bargaining groups, and agency staff on CalPERS contribution rates and benefit design issues.
- Pension Plans - We prepare actuarial valuations and assist with the administration of defined benefit pension plans for California governments and agencies.
- Plan Design - We assist public agencies redesign existing retirement plans and implement new retirement benefit programs including retiree medical plans and pension plans.
- Retirement System Audits - We review actuarial valuations, experience studies, actuarial assumptions, and actuarial methods for state, county, and other agency retirement systems.

Bartel Associates was established in July 2003 and is organized as a Limited Liability Corporation. Our office is located in San Mateo, California. We currently have 17 employees including 8 credentialed actuaries, 7 actuarial analysts, and 2 administrative staff members. Seven of our actuaries are Fellows or Associates of the Society of Actuaries, 7 are Enrolled Actuaries, 8 are Members of the American Academy of Actuaries, and 4 are Fellows of the Conference of Consulting Actuaries.

Bartel Associates is licensed to do business in California. Our certificate of liability insurance is included in Appendix C.

Our address and phone numbers are:

Bartel Associates, LLC
411 Borel Avenue, Suite 101
San Mateo, CA 94402
phone: 650-377-1600
phone: 800-256-2090
fax: 650-345-8057

SECTION 3

QUALIFICATIONS AND REFERENCES

John Bartel was a member of the special task force which assisted the Governmental Accounting Standards Board (GASB) in drafting Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). He was directly involved in the statement's development and has assisted numerous public agencies quantify and understand the impact of this new accounting standard. Bartel Associates also completed a review of proposed alternative financial reporting actuarial issues for GASB under the new statement. John also served as a consultant to the Governor of California's Public Employee Post-Employment Benefits Commission and currently is a member of the California Actuarial Advisory Panel.

Each GASB 45 valuation that we prepare includes a review of plan provisions, a summary of plan participants, the selection of actuarial methods and assumptions, the determination and communication of GASB 45's financial impact, and a projection of costs and funding options. Many of these studies also include a discussion of plan design alternatives. We present results using plain, easily understood language. We will understand your objectives and you will understand the results of our work.

Following is a partial list of clients for whom we have prepared GASB 45 actuarial valuations.

Alameda Corridor Transportation Authority	City of Santa Clara
Alameda County Fire Department	City of Santa Clarita
Alameda County Water District	City of Santa Cruz
American Canyon Fire Protection District	City of Santa Fe Springs
Aptos/La Selva Fire Protection District	City of Santa Rosa
Association of Bay Area Governments	City of Solana Beach
Bay Area Air Quality Management District	City of South Lake Tahoe
Calleguas Municipal Water District	City of South San Francisco
CalOptima	City of Stanton
Chino Valley Independent Fire District	City of Stockton
City of Alameda	City of Sunnyvale
City of Alhambra	City of Torrance
City of Antioch	City of Union City
City of Belmont	City of Upland
City of Bishop	City of Vallejo
City of Brea	City of Victorville
City of Brentwood	City of West Sacramento
City of Brisbane	City of Westlake Village
City of Buena Park	City of Westminster

SECTION 3 QUALIFICATIONS AND REFERENCES

City of Burbank	City of Whittier
City of Burlingame	City of Yuba City
City of Campbell	Coachella Valley Water District
City of Cathedral City	Community Redevelopment Agency of LA
City of Chico	Contra Costa County Public Law Library
City of Chino Hills	Contra Costa Transportation Authority
City of Chula Vista	County of Amador
City of Citrus Heights	County of Colusa
City of Coachella	County of Madera
City of Commerce	County of Modoc
City of Compton	County of Monterey
City of Concord	County of Napa
City of Corona	County of Nevada
City of Costa Mesa	County of Orange
City of Cupertino	County of Placer
City of Cypress	County of Santa Cruz
City of Daly City	County of Shasta
City of Davis	County of Siskiyou
City of Dixon	County of Solano
City of Duarte	County of Sutter
City of Dublin	County of Tulare
City of El Centro	County of Tuolumne
City of El Segundo	County of Yolo
City of Encinitas	County of Yuba
City of Fairfield	Cucamonga Valley Water District
City of Fort Bragg	Delta Diablo Sanitation District
City of Foster City	Dublin San Ramon Services District
City of Fountain Valley	East Bay Regional Park District
City of Fremont	Eastern Municipal Water District
City of Gilroy	Eastern Sierra Community Services District
City of Glendale	Golden Sierra Job Training Agency
City of Glendora	Helix Water District
City of Half Moon Bay	Ironhouse Sanitation District
City of Hawaiian Gardens	Irvine Ranch Water District

SECTION 3

QUALIFICATIONS AND REFERENCES

City of Healdsburg	Los Altos Unified School District
City of Hemet	Los Angeles County Sanitation District
City of Hercules	Marin County Housing Authority
City of Hermosa Beach	Marin Municipal Water District
City of Hesperia	McCloud Community Services District
City of Huntington Park	Menlo Park Fire Protection District
City of Inglewood	Metropolitan Water District of Southern CA
City of La Habra	Midpeninsula Regional Open Space District
City of La Puente	Moraga-Orinda Fire District
City of Livermore	Mt. Diablo Unified School District
City of Lompoc	Napa County Transportation and Planning Agency
City of Long Beach	Nevada Irrigation District
City of Los Altos	North Coast County Water District
City of Lynwood	North Orange County Community College District
City of Madera	North Tahoe Fire Protection District
City of Manteca	Orange County Transportation Authority
City of Menlo Park	Otay Water District
City of Merced	Palm Springs Desert Resort CVA
City of Mill Valley	Palo Alto Unified School District
City of Millbrae	Peralta Community College District
City of Mission Viejo	Placer County Water Agency
City of Monrovia	Port of Stockton
City of Monte Sereno	Rancho Cucamonga Fire District
City of Monterey	Redwood Empire Municipal Insurance Fund
City of Moorpark	Riverside County Transportation Commission
City of Moreno Valley	Rodeo Hercules Fire Protection District
City of Napa	Ross Valley Sanitary District
City of Newark	Sacramento Metropolitan Fire Protection District
City of Newport Beach	Salinas Valley Solid Waste Authority
City of Norco	San Bernardino Municipal Water Department
City of Ontario	San Diego County Water Authority
City of Oroville	San Francisco Bay Area Water Emergency Transportation Authority
City of Paramount	San Francisco County Transportation Authority

SECTION 3
QUALIFICATIONS AND REFERENCES

City of Petaluma	San Francisco Redevelopment Agency
City of Pico Rivera	San Mateo County Transit District
City of Piedmont	San Ramon Valley Fire Protection District
City of Pinole	Santa Cruz Regional 9-1-1
City of Pismo Beach	Scotts Valley Fire Protection District
City of Pittsburg	South Coast Water District
City of Pleasanton	South County Fire Protection Authority
City of Pomona	Southern California Association of Governments
City of Rancho Cucamonga	Southern California Regional Rail Authority
City of Redding	Stanislaus County Housing Authority
City of Redondo Beach	State of Maine
City of Redwood City	Stege Sanitary District
City of Richmond	Sweetwater Authority
City of Riverside	Tamalpais Union High School District
City of Rocklin	Town of Corte Madera
City of Rohnert Park	Town of Hillsborough
City of Roseville	Town of Los Altos Hills
City of Sacramento	Town of Los Gatos
City of Salinas	Town of Windsor
City of San Bernardino	Town of Yountville
City of San Carlos	Tuolumne Utilities District
City of San Gabriel	United Water Conservation District
City of San Jose	Ventura County Transportation Commission
City of San Leandro	West Basin Municipal Water District
City of San Luis Obispo	West Valley Sanitation District
City of San Marcos	Westborough Water District
City of San Mateo	Windsor Fire Protection District
City of San Rafael	Yolo-Solano Air Quality Management District
City of Sand City	Yuba County Water Agency
City of Santa Ana	

SECTION 3

QUALIFICATIONS AND REFERENCES

We recommend that the Town contact our references to understand the quality of our work.

Client	Project	Contact
City of Redding	GASB 45 Valuation CalPERS Consulting Pension Consulting	Steve Strong Finance Officer 777 Cyprus Avenue P.O. Box 496071 Redding, CA 96049-6071 Phone: 530-225-4079
City of Sacramento	GASB 45 Valuation CalPERS Consulting Pension Valuations	Susan Mayer Accounting Manager 915 I Street, Room 14 Sacramento, CA 95814 Phone: 916-264-5058
City of Oroville	GASB 45 Valuation (In Progress) CalPERS Consulting	Diane McMillan Director of Finance 1735 Montgomery Street Oroville, CA 95965 Phone: 530-538-2413
City of Sunnyvale	GASB 45 Valuation CalPERS Consulting	Grace Leung Acting Director of Finance 650 W. Olive Avenue P.O. Box 3707 Sunnyvale, CA 94088-3707 Phone: 408-730-7398
County of Yolo	GASB 45 Valuation	Howard Newens Auditor-Controller 625 Court Street, Room 103 Woodland, CA 95695 Phone: 530-666-8217

We can provide additional references at the Town's request.

SECTION 4 WORK PLAN

Project Approach

We believe that there are two levels to a GASB 45 actuarial valuation. The first level is technical compliance with GASB 45. Some public employers may hire an actuary to assist only with technical compliance with GASB 45, limiting the scope of services to preparing a compliance-only valuation that provides the required financial reporting and disclosure information. The second level goes beyond reporting and disclosure issues and assists the Town with an understanding of GASB 45, the actuarial methods and assumptions, the valuation results, the financial statement impact, funding policies and trust options, and a review of the plan design.

Our actuarial valuation process includes the following steps:

- Data Collection - The Town will provide documentation of plan provisions, and employee census information including individual plan and coverage elections.
- Data Reconciliation - We will review the plan and participant data and provide a list of any questions.
- Methods & Assumptions – We will recommend the actuarial assumptions and funding methods with the Town’s input.

We generally present results using the Entry Age Normal Cost funding method. This method is used by CalPERS to fund their pension plans and produces an annual cost that is intended to be a level percentage of payroll. It is also one of two methods required by CalPERS for agencies that prefund retiree medical benefits with CERBT.

GASB 45 requires that actuarial assumptions be consistent with retirement plan assumptions. Due in part to our significant experience with CalPERS, we have the ability to clearly communicate the actuarial assumption selection process to our clients.

The actuarial assumptions used for the valuation may include: discount rate, general inflation, payroll increases, healthcare trend, mortality, termination, disability, retirement, participation at retirement, healthcare plan at retirement, Medicare eligibility, marital status at retirement, spouse’s age at retirement, and dependent coverage at retirement.

Healthcare plans funded through CalPERS may be required to use certain methods and assumptions. For example, CalPERS specifies the discount rate to be used to calculate liabilities for OPEB plans funded through CERBT (currently 7.75%).

It is important that the Town understand the methods and assumptions used and their impact on GASB 45 results as these are actually assumptions set by the Town, subject to our actuarial guidance and standards of practice.

- Valuation Processing - We will prepare the actuarial valuation using ProVal software, a comprehensive and widely used and respected retirement benefit valuation system developed by Winklevoss Technologies, LLC.

SECTION 4 WORK PLAN

Our procedures for quality control include the checking of computer programs and calculations by a second actuary and the review of results and presentation materials by senior actuaries. We keep client information secure by encrypting all files kept on our computers.

- Preliminary Results Meeting - We will meet with the Town to review the preliminary valuation results. Our preliminary results presentation will be in a discussion outline format and will include a benchmark survey comparing the Town's GASB 45 information with other agency GASB 45 plan studies prepared by Bartel Associates.
- Valuation Report - We can, at the Town's request, prepare a formal valuation report including an actuarial certification. We can also prepare an executive summary of the valuation results and a draft GASB 45 financial statement footnote, if needed.
- CalPERS Certification - If the Town pre-funds its retiree healthcare benefits through CERBT, it will need to provide an actuarial certification, a funding policy certification, and an Excel spreadsheet containing valuation information to CalPERS in addition to a valuation report. We can prepare this information at the Town's request.

We strongly believe that through our years of experience we have developed an efficient and effective process for preparing and presenting actuarial valuations.

Actuarial Valuation Discussion Outline

Our actuarial valuation discussion outlines are clear, concise and understandable to non-actuaries. Our outlines include:

- Summary of plan provisions.
- Summary of the data used for the valuation:
 - employee counts and average ages, service, pay, etc. by employee group
 - active and retiree coverage elections by healthcare plan
 - retiree coverage (single, 2-party, family) statistics by age
 - active age/service distributions
- Summary of actuarial methods and assumptions.
- GASB 45 accounting information, including benefit costs and obligations as outlined below.
- Comparison of the Town's costs and obligations with that of other agencies in our database.

The discussion outline will include the following GASB 45 information:

- Actuarial value of benefits, including:
 - Present Value of Future Benefits
 - Actuarial Accrued Liability, broken down by active and retired employees
 - Plan Assets
 - Unfunded Actuarial Accrued Liability
 - Normal Cost

SECTION 4 WORK PLAN

- Expected Benefit
- Annual Required Contribution, as a dollar amount and as a percentage of payroll, identifying:
 - Normal Cost
 - Amortization of the Unfunded Actuarial Accrued Liability
- Annual OPEB Cost.
- Net OPEB Obligation.
- Sensitivity analysis, including:
 - 2 investment return scenarios (e.g., not funded and funded)
 - Alternative amortization periods for the Unfunded Actuarial Accrued Liability (e.g., 20 and 30 years).
- Net OPEB Obligation, projected contributions, and Annual OPEB Costs versus "pay-as-you-go" costs.

Project Schedule

We usually recommend a 6 to 8-week timeframe for the actuarial valuation. For example, if the Town provides complete and accurate census data and plan information for the valuation by January 3, 2011, a possible work schedule would be as follows:

<u>Project Steps</u>	<u>Estimated Dates</u>
1) The Town provides participant data and plan information to Bartel Associates.	January 3, 2011
2) Bartel Associates meets with the Town to present preliminary valuation results.	February 14, 2011 ≈ 6 weeks after (1)
3) Bartel Associates provides a final valuation discussion outline.	February 28, 2011 ≈ 2 weeks after (2)

The Town has requested that valuation results be available by January 31, 2011. We will do our best to meet the Town's request, but in order to meet that schedule we will need all data on or before January 3, 2011.

SECTION 5 PROJECT TEAM

The project team that will be assigned to work with Town will include:

- John Bartel, President
- Doug Pryor, Vice President
- Bianca Lin, Assistant Vice President

John Bartel will function as engagement manager and will be responsible for the relationship and day-to-day direction of the project. John is an Associate of the Society of Actuaries, an Enrolled Actuary, a Fellow of the Conference of Actuaries, and a Member of the American Academy of Actuaries. He has extensive public sector experience with GASB 45 and retirement consulting with over 250 public entities in California. He has appeared before county boards of supervisors, city councils, and public agency boards of directors and is known for his clarity.

Doug Pryor and Bianca Lin will provide actuarial and technical support. Doug is an Associate of the Society of Actuaries, an Enrolled Actuary, a Member of the American Academy of Actuaries, and has a Masters Degree in Statistics. Bianca is a Fellow of the Society of Actuaries, an Enrolled Actuary, a Member of the American Academy of Actuaries, and has a Masters Degree in Statistics.

The actuaries assigned to the project team are qualified to undertake the project in accordance with the Code of Professional Conduct of the American Academy of Actuaries and the Society of Actuaries and to issue Statements of Actuarial Opinion in accordance with the Qualification Standards of the American Academy of Actuaries.

The project team will be assisted by our actuarial analyst staff. Biographies of project team members and other senior staff are included in Appendix B.

SECTION 6 FEES

Our fees are a function of the hours worked by each professional on a project and their hourly billing rates. Our hourly rates are as follows:

<u>Team Member</u>	<u>Hourly Rate</u>
Partner	\$250 - \$300
Assistant Vice President	\$200 - \$225
Senior Actuarial Analyst	\$150
Actuarial Analyst	\$125
Administrative Support	\$75

We have prepared a budget based on the Town's retiree healthcare plan design and the number of employees and eligible retirees using the information provided in the RFP.

Our fee to prepare a GASB 45 valuation for the Town's retiree healthcare plan will be approximately \$9,000 including a valuation results outline and a meeting to discuss the valuation results.

While our fee estimate represents the likely cost of the valuation, it is possible that the valuation may require additional time. We understand the Town's budgeting needs and agree not to bill more than more \$10,500 unless the project scope changes.

Fees include one meeting with Town to review preliminary valuation results. We understand the Town may request a formal presentation to the Town Council. Our estimated fee for a Council presentation is \$1,000, including \$500 for the meeting and \$500 to prepare a short presentation. Actual charges will be based on actual meeting and preparation time. We do not bill for travel costs.

Note that our fee estimate assumes that:

- Participant census data requested will be provided completely and accurately in an Excel spreadsheet with one record per participant.
- All plan and financial information requested will be provided and is internally consistent.
- GASB 45 costs and liabilities will be presented for the plan as a whole with breakdowns for Miscellaneous and Safety employees.
- Costs and liabilities will be provided using one funding method and one set of assumptions including 2 discount rates: a "no funding" discount rate representative of the expected future long-term return of the Town's investment fund and a "full funding" discount rate representative of the expected future long-term return of a segregated investment fund. If the Town is considering funding with CERBT, the funded discount rate will be the discount rate (currently 7.75%) required by CalPERS.

SECTION 6 FEES

- There will be no additional charges for expenses (e.g., travel, telephone, copying, etc.). The hourly rates listed above include our costs for these items.
- We will invoice the Town monthly based on time incurred, subject to the above maximum fee.

The above fees might be higher if the scope of the project changes from that described above, for example:

- The retiree healthcare plan differs from the information provided in the RFP and answers to our questions or if the Town is not in compliance with CalPERS PEMHCA rules.
- Participant census data is not complete, accurate, and free from internal inconsistencies or is not provided in an Excel spreadsheet with one record per participant.
- The Town requests that GASB 45 results be broken down by additional employee or bargaining groups.
- Valuation results are needed for additional actuarial assumption sets, funding methods, contribution policies, or alternative plan designs.
- The Town requests additional meetings, such as a planning meeting, a meeting with the Town's outside auditors, or a presentation to the Town Council. We will base our fee for additional meetings on our billing rates and the time needed for the meetings and preparation. For example, a 2-hour meeting where we can use our discussion outline with no additional preparation would cost about \$500.
- The Town requests that we prepare an executive summary. Our estimated fee for an executive summary is \$1,500.
- The Town requests a draft financial statement footnote. Our estimated fee for a draft financial statement footnote is \$500.
- If the Town pre-funds its retiree healthcare benefits through CERBT, it will need to CalPERS a valuation report, an actuarial certification, a funding policy certification, and an Excel spreadsheet containing the valuation results and funding information. CalPERS will accept our valuation results discussion outline with an actuarial certification in lieu of a formal valuation report. Our estimated fee to prepare the certifications and Excel spreadsheet required by CalPERS is \$500. If the outline needs to be modified to specify the final results, our estimated fee will no more than \$500 to finalize the discussion outline. If the Town prefers an executive summary summarizing the final results and omitting any preliminary, financial management, sensitivity, and alternative plan design information that may be included in the discussion outline, our fee will be \$1,500 as mentioned above.

Additional studies, such as to explore potential benefit design changes, will be billed at our hourly rates. We will provide a fee estimate after the scope of the project is defined and before work is begun.

SECTION 7 DATA

If the Town accepts our proposal, we will need the following information:

- Summary of plan provisions and copies of the most recent MOU's for bargained employee groups and agreements for unrepresented groups.
- Total pay-as-you-go Town retiree healthcare costs for the 2008/09 and 2009/10 fiscal years.
- The Town's most current PEMHCA resolution.
- The Town's last monthly individual participant CalPERS healthcare billing report.
- Current CalPERS pension plan benefit formulas for Miscellaneous and Safety employees.
- Employee census information, in electronic format (Excel spreadsheet), including the information shown on the attachment below. Include any active employees who have waived coverage. In order to maintain confidentiality, do not provide Social Security numbers for Employee Number.
- Employee census information in electronic format (Excel spreadsheet), including the information shown on the attachment below:
 - Include active employees and retirees who have waived coverage.
 - The Town can request a copy of its CalPERS PEMHCA database by downloading and submitting the CalPERS "GASB 45 Data Extract Request and Non-Disclosure Agreement" and the "GASB 45 Data Extract Receiving Party Sending Electronic Information Agreement" from the CalPERS website. This data extract may be helpful to the Town in assembling the requested employee census information, including retirees who waived coverage. If the Town wants us to use the CalPERS data extract for the valuation, it should (1) add PERSable compensation to each active record, (2) add bargaining unit or employee group to each active and retiree record if results are needed by employee group, (3) remove any retirees who are not eligible to participate in the Town's retiree healthcare plan, for example, if they did not retire directly from the Town, and (4) make any additions, deletions, or changes necessary to make the file current as of the valuation date. **Note that if the CalPERS data extract has not yet been requested, it might not be available in time for this valuation.**
 - In lieu of individual PERSable compensation, the Town can provide the current average PERS pay rate for Miscellaneous and Safety employees and for each bargaining unit or employee group if results are needed by employee group. Indicate the pay period for the compensation reported.
 - In order to maintain confidentiality, do not provide Social Security numbers for the employee number.
 - Our fee estimate assumes that the Town will merge and reconcile all data files and provide one census file with one complete record for each employee and eligible retiree. If the Town needs our help to merge and reconcile data, our fees will be higher.

We may need additional data, depending on our review of the Town's retiree healthcare plan.

**SECTION 7
DATA**

GASB 45 Census Information		
Data Field	Actives	Retirees
Name	Yes	Yes
Employee Number ¹	Yes	Yes
Gender	Yes	Yes
Birth Date	Yes	Yes
Spouse's Birth Date	N/A	Yes (if available)
Hire Date	Yes	Yes (if available)
CalPERS Total Agency Service	Yes (if available)	N/A
Employee Classification	Full-Time, Part-Time	N/A
Part-Time Employee Hours	< 20 hrs/wk, ≥ 20 hrs/wk	N/A
Retirement Date	N/A	Yes
Retirement Type	N/A	Service, Disability, Survivor
Bargaining or Employee Group	Yes	Yes
CalPERS Pension	Yes Misc, Safety, Not Eligible	Yes Misc, Safety
Compensation ²	PERSable Pay	N/A
Medical Plan	Plan Name or Waived	Plan Name or Waived
Medical Plan Code	CalPERS Plan Code	CalPERS Plan Code
Medical Coverage	Yes Single, 2-Party, Family, Waived	Yes Single, 2-Party, Family, Waived
Medical Premium – Town Paid	N/A	Yes
Medical Premium – Retiree Paid	N/A	Yes

¹ Do not provide Social Security numbers.

² Indicate the pay period reported, for example, current monthly or annual pay, prior fiscal year pay, etc.

APPENDIX A

BARTEL ASSOCIATES' SERVICES

OPEB (Other Post Employment Benefits)

We provide OPEB actuarial services to states, counties, cities and public agencies. This work helps agencies understand the impact of GASB 45 and includes:

- Review and determination of plan benefits per MOU's, bargaining agreements, plan summaries, etc.
- Review of plan demographics and selection of actuarial methods and assumptions
- Calculation of GASB 45 costs and liabilities.
- Review and analysis regarding funding alternatives.
- Preparation of draft financial statement reporting and disclosure information
- Alternative plan design cost impact studies.
- Analysis of defined benefit and defined contribution retiree healthcare plan designs.
- Open and closed group projections, including Annual OPEB Cost (AOC) cost and benefit payout projections.
- Review and analysis of life insurance contracts.

Pension Plans

We prepare actuarial valuations of defined benefit retirement plans for public agencies. This work includes consulting regarding various plan issues, including the following:

- Annual and biennial actuarial valuations.
- Financial statement reporting and disclosure information under Governmental Accounting Standards Board Statement No. 27 (GASB 27).
- Audits of actuarial valuations and experience studies.
- Benefit calculations, plan design, and document review.

CalPERS Consulting

We have worked with many California public agencies consulting on issues related to the CalPERS retirement system. This work covers a broad spectrum of retirement benefits issues, and often includes presentations to city councils, boards of directors, employee bargaining groups, or agency staff. Additional details of projects we have prepared are as follows:

- Benefit improvement analysis including cost allocations for property tax issues.
- Pension Obligation Bond (POB) issues including cash flow analysis and actuarial certifications for POB unfunded actuarial liabilities.
- Asset-liability analysis including modeling stochastic confidence ranges for various funding criteria such as asset returns, contribution rates, and plan funded status.
- Projections of CalPERS contribution rates and related stochastic modeling.
- Cost impact studies of actuarial assumption changes.
- Plan review and design issues.

APPENDIX B

SENIOR STAFF BIOGRAPHIES

JOHN E. BARTEL, President

Experience/Responsibilities

With over 30 years in employee benefits, John focuses on pension consulting for a wide variety of public and private sector clients. He founded Bartel Associates to serve public sector agencies, emphasizing quality, personal attention, and clear results at reasonable fees. Clients rely on John's ability to apply complex regulations in understandable ways.

John is one of two actuaries appointed by the Governor to the California Actuarial Advisory Panel (CAAP) formed under recent legislation (SB 1123). CAAP will provide impartial and independent information on pensions, other postemployment benefits, and best practices to California public agencies. John Bartel served as consultant for the California State Office of Finance to the Governor's Public Employee Post-Employment Benefits Commission, charged with review of policy regarding the State's public employee retirement benefits. John was a member of GASB's OPEB task.

John specializes in:

- CalPERS public agency consulting
- Helping clients understand actuarial, accounting, and regulatory issues
- Retiree healthcare plan valuation, study, and design
- Retirement plan review, valuation, and design
- Employee benefit merger and acquisition issues
- Publications (copies available upon request):
 - 2003 California Public Retirement Journal "GASB: Other (Than Pensions) Post employment Benefits Plan Sponsor Reporting and Disclosure"
 - June 2001 National Association of State Retirement Administrators (NASRA) "Is A DROP Plan Right for Your Organization?" with Chris Bone, Aon's Chief Actuary
 - January 2001 Western City "Understanding the Impact of the New CalPERS Public Safety Benefits" with Harriet Commons, City of Fremont.
 - GASB 27 (pension disclosure) White Paper, California Committee on Municipal Accounting with Glenn Steinbrink, City of Fullerton
- Speaker at meetings for Enrolled Actuaries, Society of Actuaries, Conference of Consulting Actuaries, League of California Cities, California Society of CPAs, California Public Employee Labor Relations Association, and California Society of Municipal Finance Officers

Affiliations/Designations/Education

- Associate of the Society of Actuaries
- Enrolled Actuary
- Fellow of the Conference of Consulting Actuaries
- Member, American Academy of Actuaries
- BS in mathematics, California State University, Chico

APPENDIX B

SENIOR STAFF BIOGRAPHIES

DOUG PRYOR, Vice President

Experience/Responsibilities

With over 18 years in employee benefits, Doug specializes in actuarial consulting and other projects. Clients appreciate Doug's ability to provide concise, pertinent, valuable information in a timely fashion. His experience includes:

- Actuarial valuations of public, corporate, and multiemployer pension plans
- Studies analyzing the cost of new benefits and changes to existing programs
- Design and costing of supplemental retirement benefits for executives
- Valuations of postretirement medical programs
- Funding of health and welfare benefits under VEBAs
- Plan amendments, summary plan descriptions, and other employee communications
- Plan terminations, calculating benefits, annuity purchase, employee communications, and government filings
- Benefit issues related to mergers and acquisitions as well as union negotiations

Affiliations/Designations/Education

- Associate of the Society of Actuaries
- Enrolled Actuary
- Member, American Academy of Actuaries
- BS in mathematics, University of California, Davis
- MA Statistics, University of California, Santa Barbara

APPENDIX B

SENIOR STAFF BIOGRAPHIES

MARILYN OLIVER, Vice President

Experience/Responsibilities

Marilyn Oliver has worked over 30 years as an actuarial consultant for retirement plans of public and private sector employers. For the last 20 years she has specialized in public sector consulting for state, county, city, and special district retirement and post-retirement health plans. Her experience includes:

- Actuarial valuations, experience studies, and funding method studies
- Actuarial audits
- Legislative costing
- Design studies
- GASB 25, 27, 43 and 45 compliance
- Presentations to legislative bodies and retirement boards

Professional Activities

- Past Chair of the following Society of Actuaries (SOA) committees and task forces:
 - Pension Section Council
 - Retirement Systems Professional Education and Development Committee
 - Retirement Income Needs Taskforce
 - Mortality Projection Taskforce

Community Activities

- Member of the Continuing Care Advisory Committee, advising the State of California Department of Social Services Continuing Care Branch, which is charged with assuring the financial viability of the State's continuing care retirement communities

Affiliations/Designations/Education

- Fellow of the Society of Actuaries
- Enrolled Actuary
- Fellow of the Conference of Consulting Actuaries
- Member, American Academy of Actuaries
- BS, MA Mathematics, University of Arizona

APPENDIX B

SENIOR STAFF BIOGRAPHIES

BIANCA LIN, Assistant Vice President

Experience/Responsibilities

Bianca's 15 years of actuarial experience includes 11 in employee benefit consulting. Clients depend on Bianca's ability to coordinate projects with them and prepare results in an efficient, cost-effective manner. Bianca's work includes:

- Pension and retiree healthcare actuarial valuations
- Review and analysis of CalPERS valuations
- Cost analysis and projections of various post employment benefit programs

Affiliations/Designations/Education

- Fellow of the Society of Actuaries
- Enrolled Actuary
- Member, American Academy of Actuaries
- MS in Statistics, National Tsing Hwa University, Taiwan

APPENDIX B

SENIOR STAFF BIOGRAPHIES

JOSEPH D'ONOFRIO, Assistant Vice President

Experience/Responsibilities

With over 30 years in employee benefits, Joe has served as retirement consultant for numerous public agencies, private sector corporations, government employers, governmental contractors, nonprofit organizations, and professional corporations.

Joe's experience includes:

- Governmental and corporate pension and retiree medical plan consulting and administration
- GASB and FASB accounting valuations
- Qualified retirement plan design and valuations
- Nonqualified executive retirement plan design and financial analysis
- Asset liability modeling
- Employee benefit merger and acquisition issues
- Plan terminations

Affiliations/Designations/Education

- Fellow of the Society of Actuaries
- Enrolled Actuary under ERISA
- Fellow of the Conference of Consulting Actuaries
- Member, American Academy of Actuaries
- BS in Physics, The Cooper Union for the Advancement of Science and Art, New York City

APPENDIX B

SENIOR STAFF BIOGRAPHIES

DEANNA VAN VALER, Assistant Vice President

Experience/Responsibilities

Deanna's 20 years of actuarial experience includes 7 years as a CalPERS actuary in addition to working in large and small private sector consulting firms. She has significant experience with public sector plans, including 37 Act Retirement Systems. Clients appreciate Deanna's ability to "speak their language" and provide easy-to-understand explanations of even the most difficult topics. Deanna's experience includes:

- Actuarial valuations for private and public sector pension plans
- Studies analyzing the cost of new benefits and changes to existing plans
- Studies analyzing the rates at which plan members retire, become disabled, terminate, and die
- Valuations of postretirement medical programs
- Plan amendments, summary plan descriptions, and other employee communications
- Calculation of benefits, service purchase, employee communications, and government filings
- Consultant for 37 Act Retirement Systems and other California county and local governmental pension plans, assisting with strategic planning, policy setting, and staff education
- CalPERS actuary for 7 years supervising annual valuations for 5 large State plans with over 600,000 members, non-teaching Schools plans with over 300,000 members, in addition to more than 1,900 plans of participating CalPERS employers
- Speaker at professional conferences and educational seminars for SACRS, CALAPRS, FPPTA

Affiliations/Designations/Education

- Associate of the Society of Actuaries
- Enrolled Actuary under ERISA
- Fellow of the Conference of Consulting Actuaries
- Member, American Academy of Actuaries
- BS in mathematics, Carleton College, Northfield, MN

APPENDIX B

SENIOR STAFF BIOGRAPHIES

CATHY WANDRO, Assistant Vice President

Experience/Responsibilities

Cathy has over 20 years of actuarial experience, primarily in employee benefits. Her experience includes:

- Special studies of alternate funding methodologies for public sector retirement systems including funding methods, amortization of unfunded actuarial accrued liabilities and asset valuation methods
- Pension and retiree healthcare public sector actuarial valuations
- Retirement plan redesign, plan amendments, and government filings
- Summary plan descriptions and employee benefit statements
- Profit sharing allocations and benefit adequacy studies

Affiliations/Designations/Education

- Associate of the Society of Actuaries
- Member, American Academy of Actuaries
- BA in mathematics, St. Mary's College of California
- MS in actuarial science, University of Iowa, Iowa City

APPENDIX C

CERTIFICATE OF LIABILITY INSURANCE



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
9/2/2010

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER JOHN SARGEANT INSURANCE AGENCY 750 FAIRMONT AVENUE, SUITE 100 P. O. BOX 831 GLENDALE CA 91209-0831 INSURED BARTEL-ASSOCIATES, LLC 411 BOREL AVE STE 445 SAN MATEO CA 94402	CONTACT NAME: Joanne Sargeant PHONE (A/C, No, Ext): (818)547-1975 FAX (A/C, No): (818)242-5288 E-MAIL ADDRESS: joanne@glendaleins.com PRODUCER CUSTOMER ID#: 00000208 <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">INSURER(S) AFFORDING COVERAGE</td> <td style="text-align: right;">NAIC #</td> </tr> <tr> <td>INSURER A: First National Ins. Co. of</td> <td style="text-align: right;">24724</td> </tr> <tr> <td>INSURER B: American States Ins. Co.</td> <td style="text-align: right;">19704</td> </tr> <tr> <td>INSURER C: Indian Harbor Insurance Co.</td> <td style="text-align: right;">36940</td> </tr> <tr> <td>INSURER D:</td> <td></td> </tr> <tr> <td>INSURER E:</td> <td></td> </tr> <tr> <td>INSURER F:</td> <td></td> </tr> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A: First National Ins. Co. of	24724	INSURER B: American States Ins. Co.	19704	INSURER C: Indian Harbor Insurance Co.	36940	INSURER D:		INSURER E:		INSURER F:	
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A: First National Ins. Co. of	24724														
INSURER B: American States Ins. Co.	19704														
INSURER C: Indian Harbor Insurance Co.	36940														
INSURER D:															
INSURER E:															
INSURER F:															

COVERAGES **CERTIFICATE NUMBER:** Master 09-01-10 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

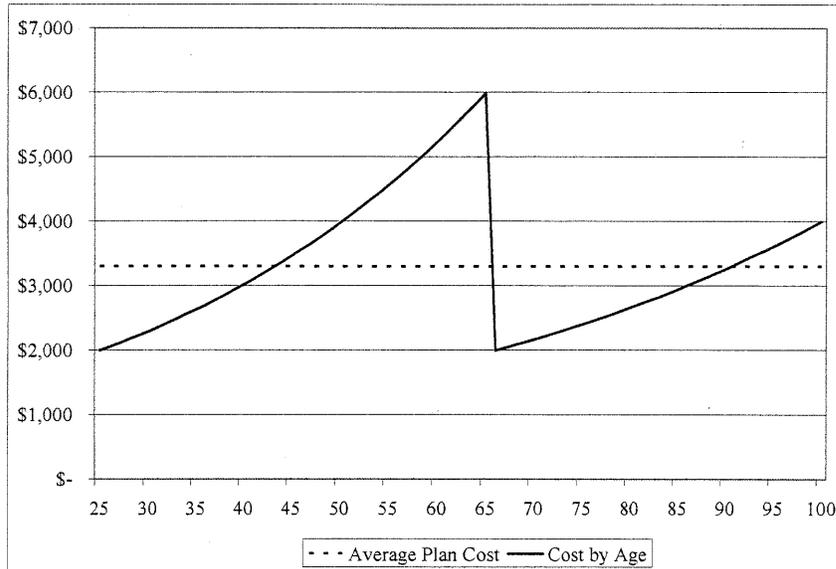
INSR LTR	TYPE OF INSURANCE	ADD'L SUBR INSR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	GENERAL LIABILITY					EACH OCCURRENCE \$ 1,000,000
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY		25CC12442950	9/1/2010	9/1/2011	DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR					MED EXP (Any one person) \$ 10,000
	GEN'L AGGREGATE LIMIT APPLIES PER:					PERSONAL & ADV INJURY \$ 1,000,000
	<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROTECT <input type="checkbox"/> LOC					GENERAL AGGREGATE \$ 2,000,000
	AUTOMOBILE LIABILITY					PRODUCTS - COMP/OP AGG \$ 2,000,000
A	ANY AUTO		25CC12442950	9/1/2010	9/1/2011	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	ALL OWNED AUTOS					BODILY INJURY (Per person) \$
	SCHEDULED AUTOS					BODILY INJURY (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS					PROPERTY DAMAGE (Per accident) \$
	<input checked="" type="checkbox"/> NON-OWNED AUTOS					\$
	UMBRELLA LIAB	<input type="checkbox"/> OCCUR				EACH OCCURRENCE \$
	EXCESS LIAB	<input type="checkbox"/> CLAIMS-MADE				AGGREGATE \$
	DEDUCTIBLE					\$
	RETENTION \$					\$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	<input type="checkbox"/> Y/N	01WC14518340	11/17/2009	11/17/2010	WC STATUS: <input type="checkbox"/> TORY LIMITS <input type="checkbox"/> OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> N/A				E.L. EACH ACCIDENT \$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below					E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
C	Misc. Professional Liability		MPP001715206	9/1/2010	9/1/2011	E.L. DISEASE - POLICY LIMIT \$ 1,000,000
						\$2,000,000 Ea.Claim
						\$2,000,000 Ann.Agg.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 CERTIFICATE HOLDER IS HEREBY NAMED AS ADDITIONAL INSURED ON POLICY #: 25CC12442940 AS RESPECTS OPERATIONS OF THE NAMED INSURED ONLY. SEE ATTACHED FORM #: CG76350207.
 COVERAGE UNDER POLICY #: 25CC12442940 IS PRIMARY & NON-CONTRIBUTORY ABOVE ANY OTHER INSURANCE THE CERTIFICATE HOLDER(S) MAY CARRY.

CERTIFICATE HOLDER ***Certificate issued for information purposes only.***	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Joanne Sargeant/0116 <i>Joanne Sargeant</i>
--	---

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APPENDIX D GASB 45 SUMMARY



In this example, retirees charged the average (\$3,300) plan cost are getting a benefit worth substantially more than they're paying. This difference is referred to as the "implied subsidy."

- District participates in PEMHCA (CalPERS Healthcare Program), using a cafeteria plan to pay active employee premiums. The district, as generally required under PEMHCA law, pays the minimum amount toward retirees' PEMHCA premiums.

Action Steps

- Examine your agency's benefits to identify OPEB and your degree of compliance concerns.
- Summarize your agency's benefits (by gathering information from MOU's, council or board resolutions, etc.) to greatly facilitate the valuation and implementation process.

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. (Before we describe these 3 terms you might want to refer to the Actuarial Definitions on page 9.)

- **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 complicated 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, 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

APPENDIX D

GASB 45 SUMMARY

amortization because it's more consistent with the budget process and how pension contributions are usually calculated. ARC must be based on the underlying OPEB benefits (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.

Implementation Process

The implementation process will be relatively straightforward: An agency will hire an actuary to calculate the ARC. The first time an agency does this, their AOC equals their ARC. The agency then decides whether to contribute all, none, or part of the ARC into a Trust that cannot legally be used for any purpose other than paying OPEB.

If an agency always contributes the ARC, then each subsequent year's AOC equals their ARC – and the NOO is zero. The first year an agency does not contribute the ARC, they must establish an NOO equal to the difference between their actual contribution and the ARC. The subsequent year's AOC equals the ARC, adjusted for interest and amortization of the NOO.

Action Step

- Gather participant data (your actuary should be able to tell you what you'll

need once they review your underlying benefits).

GASB 45 REQUIREMENTS

Disclosure Requirements

This may be the most important aspect of GASB 45. When disclosed, some agencies will show large OPEB unfunded liabilities, while others will show small or no unfunded liabilities. These differences may require an adjustment in an agency's bond rating. 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.

APPENDIX D

GASB 45 SUMMARY

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 requiring recognition of potential future plan changes. This approach requires entities to acknowledge the underlying benefit commitment, 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 7 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 may be 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 investment fund, and California and most other state law restricts what investments agencies can have in their investment 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 7%) depending on the Trust fund's expected long-term investment return.

Action Step

- Meet with your actuary to discuss the underlying actuarial methods and assumptions. This important meeting can avoid problems down the road.

Transition Issues

Typically, new accounting standards allow transition from old to new requirements. Because historical ARC calculations will rarely be available, GASB 45 takes a prospective transition approach: there is no requirement for an initial transition

APPENDIX D

GASB 45 SUMMARY

obligation. But if AOCs, before transition, were calculated consistently with the standard, a NOO at transition can be established at an agency's discretion.

Valuation Frequency Requirements and Small Plans

GASB 45 requires an actuarial valuation at least every 2 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.

HOW BIG IS THE PROBLEM?

Public sector retiree healthcare benefits vary considerably across agencies and can be measured in several ways, for example:

ARC as a percent of payroll

Present Value of Benefits (PVB) as a percent of payroll or perhaps as a percent of investment fund budget

Unfunded liability (in most cases, the Actuarial Liability – AL) as a percent of payroll or perhaps as a percent of investment fund budget.

We believe the biggest issue is GASB 45 requiring agencies to disclose unfunded OPEB liabilities in financial statement footnotes. Consequently, unfunded liabilities in relation to payroll or budget will become important for bond rating agencies. The table below shows examples based on recent actuarial studies we've prepared (although agency demographics vary widely, all calculations were prepared in compliance with GASB 45).

Basic OPEB Benefits	% Payroll			% Annual Investment fund Budget		
	ARC	PVB	AL	ARC	PVB	AL
1a. Full medical coverage for retiree and spouse – Plan Assets not diversified	28%	369%	192%	19%	258%	135%
1b. Full medical coverage for retiree and spouse – Plan Assets diversified	17%	208%	126%	12%	146%	89%
2a. Medical coverage, capped at \$450/month with no increase in cap	9%	115%	85%	7%	92%	68%
2b. Medical coverage, capped at \$450/month with increase in cap	12%	145%	107%	9%	116%	86%
3. Minimum PEMHCA payment	2%	30%	20%	2%	23%	15%

APPENDIX D

GASB 45 SUMMARY

These examples lead to some interesting questions and conclusions, providing some insight on magnitude. For example:

- 1a. and 1b. show the significant impact of diversifying Plan Assets (in a Trust, separate from agency's investment fund that legally can be used only to pay OPEB) and not diversifying Plan Assets invested in agency's investment fund. While this difference is significant and prefunding may be fiscally prudent, we do not expect many agencies will do so. Prefunding will mean allocating cash and most agencies will find this challenging.
- Agency 1's unfunded Actuarial Liability is quite significant, while Agency 3's is quite modest. Although we don't know how bond rating agencies will react to the added information, it's reasonable to assume that, with all other things the same, Agency 1 might experience more of an impact than Agency 3.
- The addition of a COLA (cost-of-living adjustment) to Agency 2's benefits increases their ARC and Actuarial Liability by approximately 1/3. Remember GASB 45 mentions the underlying substantive plan. Consequently, even if there is no express agreement to increase the \$450 cap in the future, if it's reasonable to believe it will increase, the calculations must assume it will.
- An older agency (with a high ratio of retirees to actives) will have higher percents than shown in the table, while a

younger agency (with very few retirees) would have lower percents.

Action Step

- Once you understand how significant your OPEB issue is, consider discussing these results with bond rating agencies, bargaining units, and city councils (or governing boards). Reviewing liabilities now gives you time to address the magnitude before GASB 45 is effective.

GASB 45 SURVEY

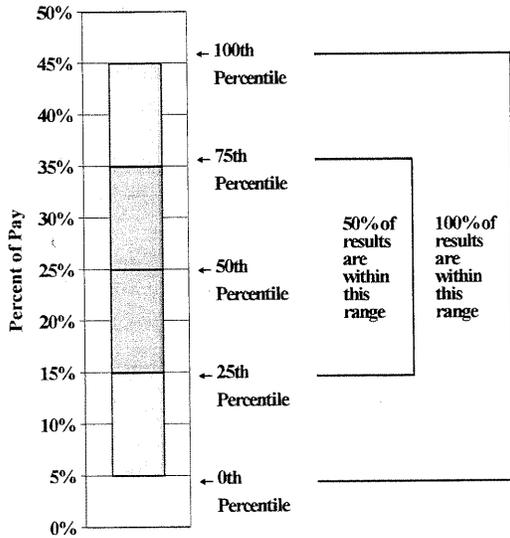
The following graphs compare the Miscellaneous and Safety GASB 45 valuations prepared by Bartel Associates.

The first graph provides sample percentiles for interpreting the information that follows. All graphs provide the 0th, 25th, 50th, 75th and 100th percentiles (the Xth percentile is the level at which X percent of the data fall below the given level – for example 25% of the data falls below the 25th percentile). As noted on this chart, the dark shaded area in the middle of the column includes results between the 25th and 75th percentiles representing 50% of the agencies, with the line in the middle indicating the 50th percentile.

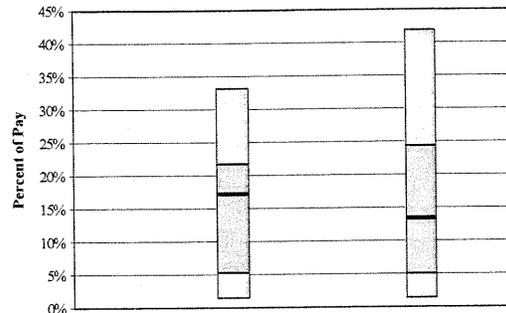
The other graphs compare Normal Cost (NC), Annual Required Contribution (ARC) and Actuarial Liability (AL) as a percentage of payroll for Miscellaneous and Safety employees.

APPENDIX D GASB 45 SUMMARY

**GASB 45 Survey
Sample Percentile Graph**

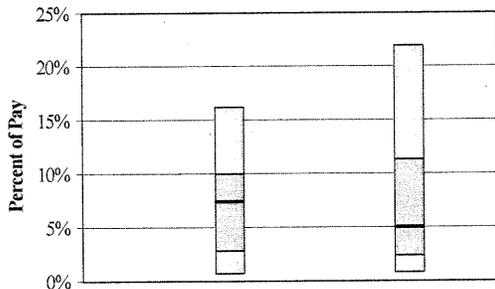


**GASB 45 Survey
Annual Required Contribution
(% of Payroll)**



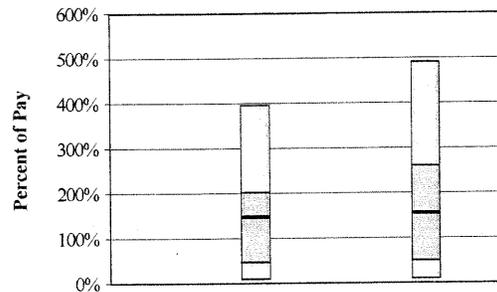
	Miscellaneous	Safety
100th Percentile	33.2%	42.0%
75th Percentile	21.8%	24.4%
50th Percentile	17.4%	13.4%
25th Percentile	5.4%	5.1%
0th Percentile	1.5%	1.4%

**GASB 45 Survey
Normal Cost
(% of Payroll)**



	Miscellaneous	Safety
100th Percentile	16.2%	22.0%
75th Percentile	10.0%	11.4%
50th Percentile	7.5%	5.1%
25th Percentile	2.8%	2.4%
0th Percentile	0.7%	0.8%

**GASB 45 Survey
Actuarial Liability
(As % of Payroll)**



	Miscellaneous	Safety
100th Percentile	396%	491%
75th Percentile	203%	261%
50th Percentile	147%	158%
25th Percentile	48%	51%
0th Percentile	11%	11%

APPENDIX D GASB 45 SUMMARY

The cost information shown represents primarily unfunded retiree medical plans since most of these agencies are in the process of deciding whether to fund their plans. When a significant number of our clients have made that decision, we will be able to separate the statistics by funded and unfunded plans.

The reader should keep in mind the results are not a statistical sample of all California agencies and so results based on all California agencies will vary from our client base.

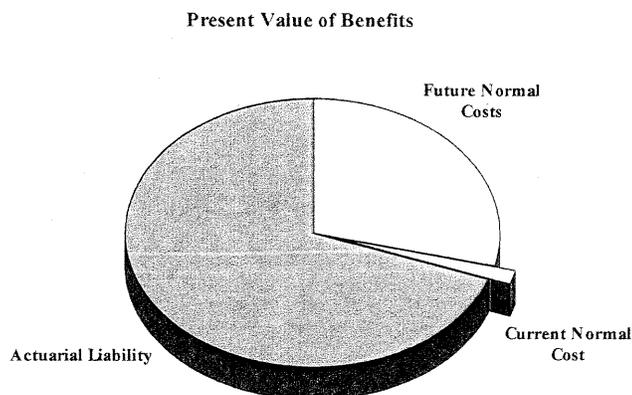
CONCLUSION

There's no doubt GASB 45 will cause major changes for plan sponsor disclosure. The way to soften the blow is not waiting for the effective date. Contact your actuary well in advance to understand the implications, get started on action steps, and establish a plan for compliance.

John Bartel is President of Bartel Associates, LLC. For more details, contact John at 650-377-1601 or jbartel@bartel-associates.com. You also can learn more about GASB and GASB 45 at www.gasb.org.

APPENDIX D GASB 45 SUMMARY

ACTUARIAL DEFINITIONS



Present Value of Benefits: An actuary preparing an actuarial valuation first gathers participant data (active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example June 30, 2005). Using this data and some actuarial assumptions, the actuary projects future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die, or become disabled as well as what salary increases, general (and healthcare) inflation, and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's Present Value of Benefits. It represents the amount the plan needs as of the valuation date to pay all future benefit payments – if all assumptions are met.

Actuarial Liability: This represents the Present Value of Benefits portion participants have earned (on an actuarial, not actual, basis) through the valuation date.

Funded Status: Once the above amounts are calculated, the actuary compares Plan Assets to the Actuarial Liability. When Plan Assets equal liabilities, a plan is considered on track for funding. When Plan Assets are greater than liabilities, the plan has excess Plan Assets. When Plan Assets are less than liabilities, the plan has an unfunded Actuarial Liability.

Normal Cost: This represents the Present Value of Benefits expected to be earned (on an actuarial, not actual, basis) in the coming year.

Plan Assets: GASB 45 requires that to consider an OPEB plan funded, assets must be set aside and cannot legally be used for any purpose other than to pay OPEB. Most OPEB plans are not funded.



RAEL & LETSON

CONSULTANTS AND ACTUARIES

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WWW.RAEL-LETSON.COM

December 15, 2010

VIA EMAIL

Ms. Gina S. Will
Director of Finance/Town Treasurer
Town of Paradise
555 Skyway
Paradise, California 95969

Re: Response to Request for Proposal for Other Postemployment Benefits (OPEB)
Actuarial Study Services for the Town of Paradise

Dear Ms. Will:

Thank you for the opportunity to submit our bid proposal for Other Postemployment Benefits (OPEB) Actuarial Study Services for the Town of Paradise. We have extensive experience in performing OPEB calculations and would be happy to provide GASB 45 compliance assistance to the Town.

Rael & Letson was established in 1963 for the purpose of providing actuarial valuations and consulting services for both pension and health and welfare employee benefit plans in the Western United States from Alaska to San Diego, including California, Nevada, New Mexico, Arizona, Colorado, Montana and Wyoming. We are headquartered in Foster City, California, with additional offices in Pasadena, California, Edmonds and Seattle, Washington and Denver, Colorado. Our clients include public entities, school districts, multiemployer funds and corporate plans. We consult on all types of health and welfare, defined benefit and defined contribution plans. For more information about our firm, please visit our website at www.rael-letson.com.

We have performed Other Postemployment Benefits (OPEB) calculations for many years and are well qualified to do so. Believing that these long-term health benefit calculations require considerable knowledge of both pension and health benefits, we have assembled a dedicated team comprised of professionals from both disciplines to perform the OPEB studies for all of our clients. The first-line team working with the client is fully knowledgeable of today's health benefits market and issues as well as the intricacies of long term valuations formerly reserved for pensions.

Ms. Gina S. Will
Town of Paradise
December 15, 2010
Page 2

Rael & Letson has many attributes which would serve Town of Paradise well. Our success is based on providing timely, accurate service and clear communication with our clients. We have an exceptionally well qualified staff with very little turnover. The result is that our clients enjoy working with the same high-caliber professionals year after year.

I, Jean Vergara, Chief Actuary, Health & Welfare, am authorized to represent the firm on behalf of Rael & Letson. Our proposal is valid and guaranteed for a period of not less than sixty (60) days from the date of submittal. My contact information is as follows:

Rael & Letson
378 Vintage Park Drive
Foster City, California 94404
Phone: (650) 356-2326
Fax: (650) 341-5392
Email: jeanv@rael-letson.com

We would be happy to answer any questions or discuss our proposal with the Town of Paradise.

Sincerely,



Jean C. Vergara, A.S.A., M.A.A.A.
Chief Actuary, Health & Welfare

JV:cn
Enclosure

***RESPONSE TO
REQUEST FOR PROPOSAL***

***For
Other Postemployment Benefits (OPEB) Actuarial Study***

***For The
TOWN OF PARADISE***

Submitted By:

RAEL & LETSON

***378 Vintage Park Drive
Foster City, California 94404***

Phone: (650) 341-3311

Fax: (650) 341-5392

www.rael-letson.com

Contact Person: Jean Vergara

December 2010



RAEL & LETSON
CONSULTANTS AND ACTUARIES

TABLE OF CONTENTS

	<u>Page</u>
<i>Section I</i> <i>Company Profile</i>	<i>1</i>
<i>Section II</i> <i>Qualifications of the Firm</i>	<i>2</i>
<i>Section III</i> <i>Scope of Work</i>	<i>8</i>
<i>Section IV</i> <i>Work Plan and Methodology</i>	<i>11</i>
<i>Section V</i> <i>Fees</i>	<i>13</i>
<i>Exhibit I</i> <i>Biographies</i>	<i>14</i>
<i>Exhibit II</i> <i>Representative List of OPEB Clients</i>	<i>16</i>



SECTION I
COMPANY PROFILE

Rael & Letson was established in 1963 for the purpose of providing actuarial valuations and consulting services for both pension and health and welfare employee benefit plans in the Western United States from Alaska to San Diego, including California, Nevada, New Mexico, Arizona, Colorado, Montana and Wyoming. Our clients include over 180 public sector, governmental, multiemployer, school district, corporate and church plans. We consult on all types of health and welfare, defined benefit and defined contribution plans. For more information about our firm, please visit our website at www.rael-letson.com.

Rael & Letson has offices in Foster City and Pasadena, California, Edmonds and Seattle, Washington, and Denver, Colorado. Our fifty employees represent experienced health and pension actuaries, consultants, technical/benefit analysts and support staff. Our Other Post-Employment Benefits (OPEB) team is based in Foster City and is part of our health and welfare practice. Jean Vergara heads the OPEB team of seven professionals, four of them certified actuaries, and would have primary responsibility for the GASB 43/45 work for the Town of Paradise.

Rael & Letson was a sole proprietorship until 2003 when it was converted to an employee-owned corporation. We are an independent, financially stable firm with no parent company, affiliates, or subsidiaries. Our growth has been steady, allowing us to match increased client work with increased staffing/capacity.

SECTION II
QUALIFICATIONS OF THE FIRM

Rael & Letson has extensive expertise in performing Other Postemployment Benefits (OPEB) calculations. In addition to performing OPEB calculations under GASB 43/45, we have also performed OPEB valuations for financial statement disclosure for numerous corporate and multiemployer welfare plans, upon which GASB 43/45 calculations are based: Financial Accounting Standards Board Statement Accounting Standards Codification (FASB ASC) Topic-Subtopic 715-60¹ and FASB ASC 965².

Moreover, we have performed many OPEB actuarial studies independent of, as well as supplemental to, calculating liabilities for government filing. Some examples of the consulting and analyses we have provided our clients beyond the OPEB study include: reviewing and commenting on the appropriateness of calculations done by other actuaries; designing retiree eligibility, benefit and self-pay provisions to match newly negotiated contribution rates; calculating required contributions to fund current and/or proposed benefits; discussing the advantages and disadvantages of various funding scenarios; and projecting cash flow on closed-group (new hires excluded) and open-group (new hires included) bases.

We are unique in that we have a dedicated team that performs the OPEB studies for all of our clients. OPEB calculations require expertise in projecting health benefit costs in addition to knowledge of long-term funding methods and actuarial assumptions used for pension valuations. Recognizing this, we believe that a dedicated team comprised of professionals from both disciplines is best equipped to address the issues unique to these long-term calculations. Our OPEB team is staffed with actuaries and analysts who have formal experience working with pension and/or health plans.

¹ Formerly known as FASB 106 (required for corporate employers).

² Formerly known as American Institute of Certified Public Accountants (AICPA) SOP 92-6 (required for multiemployers).

SECTION II
QUALIFICATIONS OF THE FIRM
(CONTINUED)

We propose a staff of three to work with the Town: Jean Vergara, Jim Whelpley and Victoria Lee. They all have public entity and OPEB experience and are available to commence services immediately upon notification of our selection. A description of their roles is provided below. Brief biographies of these individuals are provided in Exhibit I.

- Jean Vergara , Actuary – Account Manager

Ms. Vergara manages our OPEB team and its workflow and will provide important peer review at each step of the valuation process; she will be accountable for the final work product. Ms. Vergara is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries.

- Jim Whelpley, Actuary – Project Manager

As project manager, Mr. Whelpley will ensure our understanding of all facets of the District's plan, and that processes are set up to handle the scope of services contracted. His role also includes cross checking the data analysis, testing the programming by reviewing sample lives, and preparing a draft report. Mr. Whelpley is an Associate of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries.

SECTION II
QUALIFICATIONS OF THE FIRM
(CONTINUED)

- Victoria Lee –Programming and Data Analysis

Ms. Lee will ensure our understanding of all facets of the Town’s plan, set up processes to handle the scope of services contracted, “scrub” the census data and custom-program our system to value the Town’s plan. Ms. Lee will also be identifying data which is missing or problematic, and interacting with appropriate Town personnel to answer any data or plan design questions. She is currently pursuing a professional designation from the Society of Actuaries.

The following is a sample client list for which we have provided GASB 43/45 related work. The time periods for completing the projects varied, depending upon the availability of “clean” data (i.e., how soon data was provided for analysis and how quickly data questions were resolved) and the scope of work. We have an excellent record of meeting client schedules and deadlines and all projects met the time requirements requested by the client. Rael & Letson performed 100% of the work described below. Additional references can be furnished upon request.

SECTION II
QUALIFICATIONS OF THE FIRM
(CONTINUED)

Sample Client List:

- ***City of American Canyon.*** Using the CalPERS OPEB Assumption Model, we performed the June 30, 2007 GASB 45 and June 30, 2010 valuations for the City (the 2007/2008 calculations were updated for June 30, 2008). In addition, we completed the forms necessary for the City to fund through The California Employers' Retiree Benefit Trust (CERBT).

Barry Whitley, CPA
Finance Director
City of American Canyon
4381 Broadway Street, Suite 201
American Canyon, California 94503
(707) 647-4363

Ms. Bronda Silva
Human Resources Director
City of American Canyon
300 Crawford Way
American Canyon, California 94503
(707) 647-4577

SECTION II
QUALIFICATIONS OF THE FIRM
(CONTINUED)

- ***City of Watsonville.*** We performed the City's June 30, 2009 GASB 45 valuation. The City's next valuation will be for June 30, 2011.

Mr. William Hay
Assistant Finance Officer
City of Watsonville
250 Main Street
Watsonville, California 95076
(831) 768-3460

Mr. Marc Pimental
Administrative Services Director
City of Watsonville
250 Main Street
Watsonville, California 95076
(831) 768-3470

- ***Aptos/La Selva Fire Protection District.*** We have completed the June 30, 2008 and June 30, 2009 GASB 45 valuations for the District using the CalPERS OPEB Assumption Model and assisted in completing the appropriate forms for the District to fund through The California Employers' Retiree Benefit Trust (CERBT).

Mr. Fred Malmund
Business Manager
Aptos/La Selva Fire Protection District
6934 Soquel Drive
Aptos, California 95003
(831) 685-6690

SECTION II
QUALIFICATIONS OF THE FIRM
(CONTINUED)

Exhibit II is a representative list of governmental entities/plans for which we have performed similar OPEB actuarial services. We currently have nearly 30 clients for whom we perform GASB 43/45 related work and over 40 clients for whom we perform other OPEB-related services (e.g. FASB ASC 965 and FASB ASC 715-60).

SECTION III
SCOPE OF WORK

The following describes the scope of work we are proposing to provide the Town.

1. Review the Town's plan documentation and design, provide a data request list and confer with Town staff regarding the selection of assumptions, where applicable;
2. Determine the Town's OPEB liabilities as of June 30, 2010, employing one of the actuarial cost methods allowed by GASB 43/45, one discount rate and one amortization schedule. Our calculations will be performed according to the guidelines set forth in Governmental Accounting Standards Board Statement Nos. 43 and 45 (GASB 43/45) and applicable standards and precepts set by the American Academy of Actuaries and the Society of Actuaries;
3. Deliver a report which will provide sufficient information necessary for the Town to comply with GASB 45 reporting for its financial statement. Our report will be written in a manner easily understood by non-actuaries and include note disclosure and required supplemental information such as:
 - a. An executive summary of the results and actuarial certification;

SECTION III
SCOPE OF WORK
(CONTINUED)

- b. Presentation of the Town's OPEB obligation broken down by current employees and retirees. Report exhibit(s) would show the following:
- i. Actuarial Present Value of Benefits (APVB), which is the net liability due to past and future service;
 - ii. Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL), which is the Town's net liability due to past service and the portion of AAL for which monies have not been irrevocably set aside;
 - iii. Effect to the liability resulting from a 1% increase in assumed trend rates (i.e., sensitivity analysis);
 - iv. Annual Required Contribution (ARC);
 - Normal Cost; and
 - Amortization of the UAAL;
 - v. Actuarial Value of Assets;
 - vi. Annual OPEB Cost;
 - vii. Net OPEB Obligation (NOO); and

SECTION III
SCOPE OF WORK
(CONTINUED)

- viii. Other required disclosures such as the Town's funded status and reconciliation of the prior year's UAAL and NOO;
 - c. A 30-year projection of retiree counts and pay-as-you-go costs, based on the current pools of retirees and actives; and
 - d. A summary of the Plan provisions, participant data, actuarial basis, actuarial assumptions, and methodology used in the valuation.
- 4. Conduct discussions by phone with Town staff and/or auditor pertaining to questions related to the valuation process and our report.
 - 5. Present our report to the Town Board.¹

¹ This service would be subject to supplemental fees per our hourly rates provided in Section V.

SECTION IV
WORK PLAN AND METHODOLOGY

The following is an exemplary work plan for completing our first OPEB valuation for a client. We understand that the Town wants the report delivered by January 31, 2011 and assume that requested census data and descriptions will be provided to us no later than December 31, 2010. Some tasks overlap a couple of phases.

Phase 1 - This phase is primarily devoted to obtaining the information necessary to perform the calculations. The Town identifies the staff and any other applicable third parties that will be working with Rael & Letson during the valuation process, and provides us with copies of all relevant Summary Plan Descriptions, Memoranda of Understanding, prior actuary reports, and pertinent pages from its Comprehensive Annual Financial Report. After initial review, Rael & Letson confers with the Town to clarify areas that may not be delineated in the printed materials, and discuss the availability and efficiency of extracting certain data elements, and select preliminary assumptions.

Phase 2 - We like to work collaboratively with our clients, and since a solid understanding of the Town's plans is imperative for providing credible liability figures, we intend to invest time upfront, to lay a sound foundation for the valuation. We consolidate all the information provided to us in Phase 1 and develop an OPEB form¹ early in the valuation process which we ask the client to carefully review and provide comment in order to ensure that we have a correct understanding of the plan(s) before proceeding. A formal data request is developed and submitted to the Town during this phase. In addition, we will select preliminary assumptions and discuss the Town's preferred report format for the GASB 43/45 required disclosure items

¹ An internal document summarizing everything we understand about the Plan providing guidelines regarding assumptions, data analysis and project overview specific to the Plan.

SECTION IV
WORK PLAN AND METHODOLOGY
(CONTINUED)

(e.g., by employee group) and any additional exhibits the Town may desire (e.g., 30-year cash flow projection).

Phase 3 – Upon receipt of census data from the Town, Rael & Letson will “scrub” participant data, load it into our system, program the plan and check sample runs for accuracy. Delivering quality, complete work is very important to us, so in addition to performing “normal” data analyses, we also check for data consistency by comparing selected data items against information provided on other internal reports and our understanding of the Plan provisions. Peer review is performed at several stages of the valuation process. In addition, Rael & Letson calculates per-capita costs based on financial data provided by the Town, and proposes assumptions for trend, participation, provider elections, dependents and missing data substitution. “Clean” data status is achieved when all requested data has been received and analyzed, and data questions have been resolved.

Phase 4 - Rael & Letson finalizes actuarial assumptions with the Town, programs the Town’s plans into our valuation system, checks the valuation system output detail for individual test lives, analyzes the results and drafts the report containing all required GASB 43/45 disclosure items and any additional exhibits discussed in Phase 2.

Phase 5 – Rael & Letson submits a draft report to the Town for comment and discussion, and publishes the report shortly after.

Phase 6 (optional and supplemental) – Rael & Letson presents the report at a Town Board meeting.

SECTION V
FEEES

Our fee quotation is based on our hourly rates and the expected number of hours needed to complete the project. We propose a not-to-exceed fee of **\$10,000** to perform the June 30, 2010 valuation based on the scope of work and work plan¹ delineated in Sections III and IV of our proposal. We also propose to perform the June 30, 2013 and June 30, 2016 valuations for the Town for \$6,200 and \$6,500, respectively.²

It has been our experience that information exchange and questions can be efficiently addressed via email or telephone. Therefore, our fee assumes all “meetings,” will be held telephonically. If the Town would prefer in-person meetings we would be happy to do so, however we would need to charge the Town for the additional travel time and expenses.

If the Town is interested in contracting for any supplemental work related to OPEB (see Section II, page 2, and item 5 of Section III), we would be happy to provide a “not-to-exceed” quote once the scope of the additional work is defined. Our current billing rates are shown below, and include an allocation for normal office expenses and administrative support.

Actuary	\$350 per hour
Assistant Actuary	\$250 per hour

¹ Our fees assume that the Town’s plan is as described in the RFP and emails from the Town during the RFP process, and that it is in full compliance with guidelines stipulated by the Public Employees Medical and Hospital Care Act (i.e., PEMHCA, also known as the CalPERS health plan).

² We have assumed that there will be no major changes to the Plan (e.g., eligibility provisions, plan providers, benefit schedules are consistent) from the prior valuation date and no in-person meetings. The fee difference between first and subsequent valuations is in recognition of the expedited timeframe requested for the June 30, 2010 valuation and because subsequent valuations typically require fewer steps (the initial set up and programming would already be completed, and plan design or eligibility questions have been resolved).

EXHIBIT I
BIOGRAPHIES

Jean C. Vergara, A.S.A., M.A.A.A., Chief Actuary - Health and Welfare

Ms. Vergara began her actuarial career in 1982 with a major insurance company where she specialized in pricing health benefits and developing operational and strategic plans for several of the company's profit centers. She has also provided welfare plan consulting through a large international employee benefits consulting firm. Ms. Vergara has extensive experience in providing actuarial valuations for other postemployment benefits (OPEB) as required under FASB ASC 715-60 and FASB ASC 965, and GASB 43/45, as well as actuarial calculations for self-funded cost projections and plan reserves. She is also experienced in welfare benefit pricing, plan design, flexible spending accounts, competitive analyses and insurance carrier bidding. Ms. Vergara graduated from the University of Illinois in 1982 with a B.S. in Actuarial Science. She is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. She joined Rael & Letson in 1995 where she heads the OPEB team.

EXHIBIT I
BIOGRAPHIES
(CONTINUED)

Jim Whelpley, A.S.A., M.A.A.A., E.A., Consulting Actuary

Mr. Whelpley is an Associate of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA with over fifteen years of experience in retiree health and pension consulting. He is currently engaged in producing postretirement welfare valuations under FASB ASC 965 for multiemployer trust funds and under GASB 43/45 for public entities. Prior to joining Rael & Letson in 2004, he was employed by several other large national and international benefits consulting firms. Mr. Whelpley's recent public sector work includes GASB 43/45 and AB 3141 postretirement welfare valuations and funding studies for several northern California school districts and City/County governments. He has also been involved with vendor searches and various other health-related analyses for CalPERS. His private sector work has been in the areas of corporate pension and postretirement welfare funding, FASB ASC 715-60 valuations, and the setting of claim reserves and employee contribution rates. Mr. Whelpley graduated from Rutgers University in 1989 with a B.A. in Mathematics and Computer Science.

Victoria Lee, Actuarial Analyst

Ms. Lee graduated from the University of California, Irvine with a B.S. in Mathematics in 2007. Her experience includes performing data analysis, programming our actuarial valuation system and drafting reports. Ms. Lee joined Rael & Letson in 2008 and is currently pursuing a professional designation from the Society of Actuaries.

PROPRIETARY AND CONFIDENTIAL

EXHIBIT II
REPRESENTATIVE LIST OF OPEB CLIENTS

Below is a partial list of clients for whom we perform OPEB actuarial services. We request that the Town withhold this exhibit from public disclosure as we consider this client list to be proprietary and confidential.

GASB 43/45 Related Work

- Alameda County Office of Education
- Aptos/La Selva Fire Protection District
- City of American Canyon
- City of Fresno
- City of San Bruno
- City of Watsonville
- Contra Costa Community College District
- Cotati-Rohnert Park Unified School District
- Housing Authority of County of San Joaquin
- Housing Authority of Kern County
- Hueneme Elementary School District
- Irvine Unified School District
- Kern High School District
- Metropolitan Transit System
- Panama-Buena Vista Union School District
- Salinas Rural Fire Protection District
- San Jose/Evergreen Community College District
- Santa Clara County Central Fire Protection District
- Santa Rosa Junior College
- Sonoma County Office of Education
- Sonoma Valley Unified School District
- United Transportation Union – Mass Transit Authority Trust Fund

EXHIBIT II
REPRESENTATIVE LIST OF OPEB CLIENTS
(CONTINUED)

Other OPEB Work (FASB ASC 965 and FASB ASC 715-60¹), Sample List

- Heat and Frost Insulators and Asbestos Workers Health and Welfare Fund
- Masonry Welfare Trust Fund
- Monterey Culinary Insurance Fund
- North Coast Trust Fund
- Northern California Tile Industry Health and Welfare Trust Fund
- Plastering Industry Local 66 Welfare Trust Fund
- San Diego County Teamsters Health Plan
- San Francisco Culinary, Bartenders and Service Employees Welfare Fund
- SEIU Local 721
- SIU Pacific District Medical Center Retiree Health Plan
- Southern California Bakery and Confectionery Union and Industry Welfare Fund
- Teamsters Benefit Trust Fund
- U.A. Local 38 Health and Welfare Trust Fund
- U.A. Local 447 Pipe Trades Health and Welfare Trust Fund

¹ The FASB recently re-codified all of its statements under its *Accounting Standards Codification* (ASC). Effective for Plan Years ending after September 15, 2009, the new nomenclature is to be used in place of the former FASB and AICPA statement references, but the disclosure requirements and calculation methodologies remain unchanged. What was “AICPA SOP 92-6” is now called FASB ASC 956 and what was “FAS 106” is not called FASB ASC 715-60.