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City of Cincinnati

**Report of the Actuary on the
Annual Valuation of the
Retirement System for Employees of the City of
Cincinnati**

Retiree Health Benefits Report

Prepared as of December 31, 2009





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 15, 2010

Board of Trustees
Retirement System for Employees of the City of Cincinnati
801 Plum Street
Cincinnati, OH 45202

Members of the Board:

We are pleased to submit the results of the retiree health benefits actuarial valuation of the Retirement System for Employees of the City of Cincinnati prepared as of December 31, 2009. The purpose of this report is to provide a summary of the funded status of the System as of December 31, 2009, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 43 and 45 (GASB 43 and 45).

On the basis of the valuation, it is recommended that employer contributions to the System be set at a rate of 12.32% of payroll (approximately \$19,943,000) for the fiscal year ending December 31, 2011. The retiree health benefits of the System are included in the calculated contribution rate which is developed using the entry age cost method. Five-year smoothed market value of plan assets is used for the actuarial value of assets. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions within a 30-year period.

Since the previous valuation, several changes were made to the assumptions, methods, and plan provisions used to determine the liability. The results of this valuation include a change to the health care plans made available to those members who retired prior to September 1, 2007. Additionally, all retiree health plans changed to a more restrictive methodology of coordination of benefits for those who are eligible for Medicare. Corresponding to these modifications in the plan provisions, adjustments were made to the starting per capita claims costs to reflect the resulting change in cost. Finally, the period over which the unfunded accrued liability is amortized by regular annual contributions increased from fifteen years to thirty years.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 43 and 45 of the Governmental Accounting Standards Board. The annual required contribution (ARC) for the City under GASB for the fiscal year ending December 31, 2011 is 12.32% of payroll, based on a 30-year period for amortization of the unfunded accrued liability.

This is to certify that the independent consulting actuary is a Member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the System and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

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July 15, 2010
Board of Trustees
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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

We trust that the report will meet the approval of the Board and will furnish the desired information concerning the financial condition of the System.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Eric H. Gary'.

Eric H. Gary, FSA, FCA, MAAA
Senior Actuary

A handwritten signature in blue ink, appearing to read 'Edward J. Koebel'.

Edward Koebel, EA, FCA, MAAA
Principal and Senior Actuary

EG/EK:rs



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RETIREMENT SYSTEM FOR EMPLOYEES OF THE CITY OF CINCINNATI
 REPORT OF THE ACTUARY
 ON THE VALUATION
 PREPARED AS OF DECEMBER 31, 2009

RETIREE HEALTH BENEFITS REPORT

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the current and preceding valuations are summarized below.

Valuation Date	December 31, 2009	December 31, 2008
Active members:		
Number*	3,148	3,088
Annualized compensation	\$ 161,874,415	\$ 155,494,664
Retired members and surviving spouses in health care plans:	4,185	4,301
Number of spouses in health care plans:	<u>1,940</u>	<u>1,820</u>
Total	6,125	6,121
Number of terminated vested members**	115	148
Assets:		
Market Value	\$ 621,691,000	\$ 574,058,000
Actuarial Value	746,029,200	688,869,600
Unfunded actuarial accrued liability	\$ 131,370,293	\$ 309,621,420
Amortization Period	30 years	15 years
Fiscal Year Ending	December 31, 2011	December 31, 2010
City annual required contribution rate (ARC):		
Normal	5.11%	5.48%
Accrued liability	<u>7.21</u>	<u>23.26</u>
Total	12.32%	28.74%
Estimated ARC in dollars	\$ 19,943,000	\$ 44,689,000

* In addition, there are 1,288 part-time employees at December 31, 2009 compared to 1,461 part-time employees at December 31, 2008.

**Of the 115 terminated vested members, 90 are assumed eligible to receive health benefits.



2. The major benefit and contribution provisions of the System as reflected in the valuation are summarized in Schedule G. There have been changes since the previous valuation, including the health benefit plans made available to those members who retired prior to September 1, 2007 and a change in the Medicare coordination of benefits methodology.
3. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the valuation. Schedule C shows the development of the actuarial value of assets. The results of this valuation do not include a reduction for future payments estimated to be made by the Centers for Medicare & Medicaid Services (CMS) under the Retiree Drug Subsidy Program (RDS). Under GASB 43 and 45, the subsidy is not recognized as a direct offset, as it is viewed to be a transfer of funds between governmental levels. The results of this valuation include a change to the health care plans made available to those members who retired prior to September 1, 2007. Additionally, all retiree health plans changed to a more restrictive methodology of coordination of benefits for those who are eligible for Medicare. Corresponding to these modifications in the plan provisions, adjustments were made to the starting per capita claims costs to reflect the resulting change in cost.
4. The entry age actuarial cost method was used to prepare the valuation. Schedule F contains a brief description of the actuarial cost method.
5. Comments on the valuation results as of December 31, 2009 are given in Section IV and further discussion of the contributions is set out in Section V.



SECTION II – MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the City. The valuation included 3,148 active members with annualized compensation totaling \$161,874,415. In addition, there are 1,288 part-time employees.
2. The following table shows the number of retired members in receipt of a retiree health benefit and those members with a deferred retiree health benefit as of December 31, 2009.

THE NUMBER OF RETIRED MEMBERS AND BENEFICIARIES AS OF DECEMBER 31, 2009

GROUP	NUMBER
Retired members and surviving spouses currently participating in retiree health care plans	4,185
Spouses currently participating in retiree health care plans	<u>1,940</u>
Total	6,125
Terminated vested members eligible for health benefits	90
Terminated vested members not eligible for health benefits	<u>25</u>
Total	115

3. Table 1 in Schedule H shows the distribution by age and years of membership service of the number of active members included in the valuation, while Table 2 shows the number and annual benefits of retired members, beneficiaries, and spouses included in the valuation, distributed by age.

SECTION III – ASSETS

As of December 31, 2009, the total market value of assets amounted to \$1,991,824,000, as reported by the auditor, of which \$621,691,000 has been allocated for the purpose of providing retiree health benefits. The actuarial value of assets used for the current valuation was \$746,029,200. Schedule C shows the development of the actuarial value of assets as of December 31, 2009. Schedule D shows a reconciliation of the market value of asset balances from December 31, 2008 to December 31, 2009.



SECTION IV – COMMENTS ON VALUATION

1. Schedule B of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of December 31, 2009. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule E and the actuarial cost method which is described in Schedule F.
2. The valuation balance sheet shows that the System has total prospective liabilities of \$948,022,704 of which \$657,047,822 is for the prospective retiree health benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits, and \$290,974,882 is for the prospective retiree health benefits payable on account of present active members. Against these liabilities, the System has a total present actuarial value of assets of \$746,029,200 as of December 31, 2009. The difference of \$201,993,504 between the total liabilities and the total present assets represents the present value of future contributions.
3. The contributions to the System consist of normal contributions and accrued liability contributions. The valuation indicates that normal contributions at the rate of 5.11% of payroll are required by the City.
4. Prospective normal contributions at the rate of 5.11% have a present value of \$70,623,211. When this amount is subtracted from \$201,993,504, which is the present value of the total future contributions to be made, there remains \$131,370,293 as the amount of unfunded accrued liability contributions. The development of the unfunded accrued liability is shown in Schedule A.



SECTION V – CONTRIBUTIONS PAYABLE

1. The contributions consist of a normal contribution and an accrued liability contribution as determined by actuarial valuation.
2. The normal contribution rate is calculated as the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all retiree health benefits payable on his behalf. On the basis of the valuation, the normal contribution rate required by the City was determined to be 5.11%.
3. A contribution of 7.21% would be required by the City to liquidate the unfunded accrued liability within a 30-year period.
5. The total City contribution rate required for the fiscal year ending December 31, 2011 is, therefore, 12.32% of payroll.
6. The following table summarizes the employer contributions which were determined by the December 31, 2009 valuation and are recommended for use.

**CITY ANNUAL REQUIRED CONTRIBUTIONS (ARC)
FOR FISCAL YEAR ENDING DECEMBER 31, 2011**

CONTRIBUTION	PERCENTAGE OF ACTIVE MEMBERS' COMPENSATION
Normal	5.11%
Accrued Liability	<u>7.21</u>
Total	12.32%



SECTION VI – ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 43 and 45 set forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF DECEMBER 31, 2009**

GROUP	TOTAL
Retired members and surviving spouses currently participating in retiree health care plans	4,185
Spouses currently participating in retiree health care plans	1,940
Terminated vested members eligible for health benefits	90
Active Participants	
Full-Time	3,148
Part-Time	1,288
Total	10,651



2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS
Dollar Amounts in Thousands

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2003	\$724,049	\$782,698	\$58,649	92.5%	\$184,407	31.8%
12/31/2004	753,105	822,938	69,833	91.5	182,575	38.2
12/31/2005	775,248	789,740	14,492	98.2	175,335	8.3
12/31/2006	805,695	966,726	161,031	83.3	175,369	91.8
12/31/2007	835,486	921,985	86,499	90.6	182,396	47.4
12/31/2008	688,870	998,491	309,621	69.0	164,640	188.1
12/31/2009	746,029	877,399	131,370	85.0	170,416*	77.1

All figures prior to December 31, 2008 were reported in the City's financial statements.

*Includes \$8,541,116 in part-time compensation.

3. Following is the calculation of the annual OPEB cost and net OPEB obligation for the fiscal year ending December 31, 2009.

Annual OPEB Cost and Net OPEB Obligation for Fiscal Year Ending December 31, 2009		
(a)	Employer annual required contribution	\$ 11,388,000
(b)	Interest on net OPEB obligation	2,036,000
(c)	Adjustment to annual required contribution	<u>2,859,000</u>
(d)	Annual OPEB cost (a) + (b) - (c)	\$ 10,565,000
(e)	Employer contributions made for fiscal year ending December 31, 2009	<u>5,597,000</u>
(f)	Increase (decrease) in net OPEB obligation (d) - (e)	\$ 4,968,000
(g)	Net OPEB obligation beginning of fiscal year	<u>25,446,221</u>
(h)	Net OPEB obligation end of fiscal year (f) + (g)	\$ 30,414,221



TREND INFORMATION
Dollar Amounts in Thousands

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (NOO)</u>
December 31, 2006*	\$15,025,000	25%	\$7,325,000
December 31, 2007*	13,218,000	40	7,219,000
December 31, 2008	22,502,221	19	25,446,221
December 31, 2009	10,565,000	53	30,414,221

*Reported in the City's financial statements.

4. The annual required contribution (ARC) as a percentage of payroll, determined in accordance with the parameters of GASB 43/45, is shown below.

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)	FISCAL YEAR ENDING DECEMBER 31, 2011
Normal	5.11%
Accrued liability	<u>7.21</u>
Total	12.32%

5. Additional information as of December 31, 2009 follows:

Valuation date	12/31/2009
Actuarial cost method	Entry age
Amortization period	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market value
Actuarial assumptions:	
Investment rate of return (includes inflation)	8.00%
Projected salary increases (includes inflation)	3.75% - 7.50%
Healthcare trend rate (includes inflation)	Varies by benefit (Schedule E)
Inflation	3.00%



SCHEDULE A

**DEVELOPMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY
AS OF DECEMBER 31, 2009**

(1)	Present value of prospective benefits:	
(a)	Present active members	\$ 290,974,882
(b)	Present retired members, beneficiaries and former members entitled to deferred vested retiree health benefits	<u>657,047,822</u>
(c)	Total	\$ 948,022,704
(2)	Present value of future normal contributions	<u>70,623,211</u>
(3)	Actuarial accrued liabilities: 1(c) – (2)	\$ 877,399,493
(4)	Actuarial value of assets	<u>746,029,200</u>
(5)	Unfunded actuarial accrued liability (UAAL): (3) – (4)	\$ 131,370,293
(6)	Contribution Rate as a % of Payroll	
(a)	Normal Cost	5.11%
(b)	UAAL	<u>7.21%</u>
(c)	Total	12.32%



SCHEDULE B

VALUATION BALANCE SHEET

Present and prospective assets and liabilities as of December 31, 2009:

<u>ACTUARIAL LIABILITIES</u>	
Present value of prospective retiree health benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits	\$ 657,047,822
Present value of prospective retiree health benefits payable on account of present active members	<u>290,974,882</u>
Total liabilities	<u>\$ 948,022,704</u>
<u>PRESENT AND PROSPECTIVE ASSETS</u>	
Actuarial value of assets	\$ 746,029,200
Present value of future contributions	
City normal contributions	\$ 70,623,211
Unfunded accrued liability contributions	<u>131,370,293</u>
Total prospective contributions	<u>\$ 201,993,504</u>
Total assets	<u>\$ 948,022,704</u>



SCHEDULE C

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1)	Actuarial Value of Assets as of December 31, 2008*	\$ 805,318,471
(2)	Market Value of Assets as of December 31, 2009	\$ 621,691,000
(3)	Market Value of Assets as of December 31, 2008	\$ 574,058,000
(4)	Net Cash Flow During Plan Year	
(a)	Contributions	\$ 5,597,000
(b)	Benefit Payments and Net Transfers	62,329,000
(c)	Administrative Expenses	499,000
(d)	Investment Expenses	<u>1,641,000</u>
(e)	Net Cash Flow: (a) – (b) – (c) – (d)	\$ (58,872,000)
(5)	Investment Income	
(a)	Market Total: (2) – (3) – (4)(e)	\$ 106,505,000
(b)	Assumed Rate	8.00%
(c)	Amount for Immediate Recognition [(3) x (5)(b)] + [(4)(a) - (4)(b) - (4)(c)] x (5)(b) x 0.5] + (4)(d)	\$ 45,276,400
(d)	Amount for Phased-In Recognition: (5)(a) – (5)(c)	\$ 61,228,600
(6)	Recognized Amounts for Plan Year	
(a)	Current Year: 0.20 x (5)(d)	\$ 12,245,720
(b)	First Prior Year	(58,619,737)
(c)	Second Prior Year	(635,011)
(d)	Third Prior Year	10,609,715
(e)	Fourth Prior Year	<u>(3,665,601)</u>
(f)	Total Recognized Investment Gain/(Loss)	\$ (40,064,914)
(7)	Actuarial Value of Assets as of December 31, 2009 (1) + (4)(e) + (5)(c) + (6)(f)	\$ 751,657,957
	80% of Market Value EOY	497,352,800
	120% of Market Value EOY	746,029,200
(8)	Final Actuarial Value of Assets as of December 31, 2009	\$ 746,029,200
(9)	Rate of Return on Actuarial Value	0.40%

*Before corridor constraints, if applicable.



SCHEDULE D

ASSET INFORMATION

<i>Receipts</i>		
(1) Contributions		
• City Contributions	\$ 3,812,000	
• Medicare Retiree Drug Subsidy Receipts	<u>1,785,000</u>	
Total Contributions		\$ 5,597,000
(2) Investment Income		
• Interest and Dividends	\$ 16,026,000	
• Net Appreciation (Depreciation) in Fair Value of Investments	90,171,000	
• Other Investment Earnings	308,000	
• Investment Expenses	<u>(1,641,000)</u>	
Total Investment Income		<u>\$104,864,000</u>
(3) Total Receipts		\$110,461,000
<i>Disbursements</i>		
(4) Benefits Paid	\$ 62,329,000	
(5) Administrative Expenses	<u>499,000</u>	
(6) Total Disbursements		\$ 62,828,000
(7) Excess of Receipts Over Disbursements: (3) - (6)		\$ 47,633,000
<i>Reconciliation of Asset Balances</i>		
(8) Market Value at December 31, 2008		\$574,058,000
(9) Excess of Receipts Over Disbursements		<u>47,633,000</u>
(10) Market Value at December 31, 2009		\$621,691,000
(11) Estimated Rate of Return on Market Value of Assets		19.13%



SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: December 31, 2009

DISCOUNT RATE: 8.00% per annum, compounded annually

HEALTH CARE COST TREND RATES: The following charts detail the trend assumption by benefit.

Medical and Prescription Drugs				
Fiscal Year	Payment Age <65			Payment Age 65+
	Blue Access 80/20 PPO	Blue Access Modified PPO	Blue Access Modified Carve-Out PPO	All Products
2010	10.3%	10.3%	10.3%	9.0%
2011	9.3	9.3	9.3	8.3
2012	8.4	8.4	8.4	7.5
2013	7.4	7.4	7.4	6.8
2014	6.4	6.4	6.4	6.1
2015	6.0	6.0	6.0	5.7
2016	5.5	5.5	5.5	5.4
2017+	5.0	5.0	5.0	5.0

Fiscal Year	Medicare Part B Premium
2010	8.8%
2011	-7.2
2012	0.0
2013	0.0
2014	0.0
2015	2.4
2016	7.3
2017*	7.3
2033+	5.0

*Rates after 2017 decrease linearly to the ultimate rate of 5.0%



Fiscal Year	Dental	Vision
2010	5.8	3.0%
2011	5.5	3.0
2012	5.3	3.0
2013	5.0	3.0
2014	4.8	3.0
2015	4.5	3.0
2016	4.3	3.0
2017-2029*	4.3	3.0
2045+	0.0	3.0

*Dental Rates after 2029 decrease gradually to the ultimate rate of 0.0%

AGE RELATED MORBIDITY: Per capita costs are adjusted to reflect expected medical cost changes related to age. The increase to the net incurred claims was assumed to be:

Payment Age	Annual Increase
<30	0.0%
30 – 34	1.0
35 – 39	1.5
40 – 44	2.0
45 – 49	2.6
50 – 54	3.3
55 – 59	3.6
60 – 64	4.2
65 – 69	3.0
70 – 74	2.5
75 – 79	2.0
80 – 84	1.0
85 - 89	0.5
90+	0.0

ANTICIPATED MEDICAL PLAN PARTICIPATION: All eligible retirees and dependents in Group 1 are assumed to elect coverage. 25% of those members who retired prior to September 1, 2007 and do not qualify for the Blue Access Modified Carve-Out plan are assumed to qualify once eligible. Eligible retirees and dependents in Group 2 are required to pay a percentage of the cost of benefits based upon the number of the member's full years of service and the member's age at separation from service (points). Representative values of the assumed annual rates of participation are as follows:

Points	Retiree Contribution of Cost (%)	Assumed Rate of Participation
90+	0	100%
80 – 89	25	80%
70 – 79	50	60%
60 – 69	75	40%

The System will pay 25% of the active employee premium for those with less than 60 points. It was assumed 0% of these retirees and dependents will participate.



As little to no experience for Group 2 participation is available, these rates are estimates developed by the prior actuary and may need to be revised as experience evolves.

SALARY INCREASES: Salary increases are assumed to vary by service. Representative rates based on 2006 experience study prepared by Mercer are as follows:

Service	Annual Increase
0	7.5%
5	5.0
10	4.5
20	4.5
30	4.0

SEPARATIONS FROM ACTIVE SERVICE: For death rates, the Uninsured Pensioner 1994 Mortality Table projected to 2009 was used. Representative values of the assumed annual rates of separation from active service are as follows:

Age	Annual Rate of				
	<u>Withdrawal*</u>	<u>Disability</u>	<u>Death</u>		<u>Retirement**</u>
			Male	Female	
20	6.50%	0.05%	.041%	.024%	
25	6.00	0.06	.061	.025	
30	3.75	0.07	.080	.032	
35	2.00	0.10	.085	.044	
40	1.75	0.14	.102	.061	
45	1.75	0.21	.140	.082	30.00%
50	1.50	0.33	.211	.119	30.00
55	1.50	0.55	.357	.219	30.00
60	1.50		.673	.443	30.00
65	1.50		1.265	.861	25.00
70	1.50		2.034	1.369	100.00

* The following withdrawal assumption is used during the first three years of service:

Service	Annual Rate
1	20.00%
2	6.50
3	6.50

** Of those eligible for reduced early retirement, 23% are assumed to retire each year.



DEATHS AFTER RETIREMENT: The Uninsured Pensioner 1994 Mortality Table projected to 2009 is used for the period after retirement and for dependent beneficiaries. The PBGC Disabled Mortality Table is used for the period after disability.

SPOUSE COVERAGE IN RETIREE HEALTH BENEFIT PLANS: Used actual census data and current plan elections for spouses of current retirees. For spouses of future retirees, 75% of male members and 25% of female members are assumed to be married with the male three years older than his spouse. Of the retirees electing to cover a spouse, it is assumed 85% will elect an optional allowance

ASSETS: Actuarial value, as developed in Schedule C. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected market value.

WITHDRAWAL ASSUMPTION: It was assumed that 75% of the vested members who terminate elect to withdraw their contributions while the remaining 25% elect to leave their contributions in the plan in order to be eligible for a benefit at their retirement date.

VALUATION METHOD: Entry age actuarial cost method. See Schedule F for a brief description of this method.

RETIREE HEALTH BENEFIT PLAN COSTS: Assumed adult per capita health care costs were based on past experience and trended forward to the valuation period. Costs were adjusted by relative plan value factors to account for changes to plan benefits (e.g., coordination of benefits and new plan designs). The following charts detail retiree per capita assumptions. These amounts include medical, drug, administrative, dental, vision, and Medicare Part B Premium costs and represent the amount the System pays as the full contribution amount. The average medical, drug, and administrative costs shown are normalized to age 65 and then age adjusted in calculating liabilities. Additionally, medical costs for all prospective participants and those existing retirees not yet 65 who were hired prior to April 1, 1986 are adjusted to account for those participants not eligible for Medicare Part A Coverage.

Medical, Drug*, and Administrative Costs			
Plan	Payment Age <65	Payment Age 65+ - No Medicare Part A Coverage	Payment Age 65+ - With Medicare Part A Coverage
Blue Access 80/20 PPO	\$10,285	\$6,576	\$2,511
Blue Access Modified PPO	13,283	9,094	2,988
Blue Access Modified Carve-Out PPO	13,921	9,526	3,135

* Under GASB 43 and 45, cost reductions for the amount of the Medicare Part D Retiree Drug Subsidy cannot be taken into account in the gross cost calculations

Dental	Vision	Medicare Part B
\$266	\$22	\$1,326



RETIREE HEALTH BENEFIT PLAN CONTRIBUTIONS: Assumed adult per capita health care contribution rates were developed for those participants in Group 2 required to contribute a portion of their cost. Contributions are based on past experience and trended based on the assumptions. The following chart details retiree per capita assumptions. These amounts include medical, drug, administrative, dental, and vision costs. The portion attributed to medical and drug costs are age adjusted based on the expected demographics of the group.

Plan	Payment Age <65	Payment Age 65+ - No Medicare Part A Coverage	Payment Age 65+ - With Medicare Part A Coverage
Blue Access 80/20 PPO	\$8,302	\$8,271	\$3,511



SCHEDULE F

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 8.00%), of each member's expected retiree health benefits at retirement or death is determined, based on age, service and sex. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a retiree health benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. The present value of the expected retiree health benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected retiree health benefits payable from the System on account of the present group of members and beneficiaries.
2. The employer contributions required to support the retiree health benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age actuarial cost method. Under this method, a calculation is made to determine the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected retiree health benefits to be paid from the System.



SCHEDULE G

SUMMARY OF MAIN SYSTEM PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Eligibility

All active employees of the City except for the following:

- Members of the State Police and Fireman's Disability and Pension Fund.
- Employees who are members of PERS, STRS, or the Public School Employees Retirement System.
- Employees hired after June 1, 1961, who work in the building crafts.
- Elected officials.
- Employees hired after June 30, 1979 as participants in programs under CETA.

Group 1: Those participants who were hired before January 9, 1997 who retire under the System with 15 years of service or who retire under the System at age 60 with 5 years of service, including their survivors receiving benefits.

Group 2: Those participants hired on or after January 9, 1997 who retire under the System with 15 years of service, including their survivors receiving benefits. Group 2 participants entitled to a deferred retirement allowance are eligible for benefits upon attainment of the Medicare eligibility age.

Medical Benefits

The City offers medical benefits (including outpatient prescription drug coverage) to retirees before and during Medicare eligibility. Those participants who retired on or after September 1, 2007 will receive coverage under the Blue Access 80/20 PPO plan. Retirees covered prior to September 1, 2007 may participate in the Blue Access Modified PPO plan, or, if eligible, Blue Access Modified Carve-Out PPO plan. Those employees who retired under a special incentive plan in 2007 are covered by the Blue Access 80/20 PPO plan.

Blue Access Modified Carve-Out PPO Plan

Members who retired prior to September 1, 2007 and meet the following requirements are eligible to receive coverage under the lower cost, Blue Access Modified Carve-Out PPO plan.

All disabled members with an annual System pension benefit of \$30,000 or less.

Members who are 65 years of age or older with 30 or more years of service credit with the System, and an annual System pension benefit of \$30,000 or less.

Members who are 65 years of age or older with fewer than 30 years of service credit with the System, and establish that their total income is less than \$30,000.



Members with an annual total income that is less than 50% of the median household income for one individual as found on the City's CDBG Income Eligibility Form.

Medicare Part B Premium Reimbursement

The City reimburses the Medicare Part B premiums for all retirees and dependents.

Dental Benefits

One traditional dental indemnity plan is provided to all current and future retirees. The plan includes a \$1,000 annual maximum on plan benefits.

Vision Benefits

One indemnity design plan is provided to all current and future retirees. The plan has fixed benefits with a \$100 annual maximum benefit.

Retiree Contributions

Group 1 participants covered by the Blue Access Modified PPO or Blue Access Modified Carve-Out PPO plans do not contribute towards the cost of coverage. Group 1 participants covered by the Blue Access 80/20 PPO plan contribute an amount equal to the active employee contribution. Group 2 future retirees will pay the higher of the active employee contribution or the portion of their cost determined by the point system. For the purpose of this valuation, cost for Group 2 retirees is assumed to be based upon the full cost of benefits of retirees only, and these costs will be split based upon the Medicare eligibility age and eligibility for Medicare Part A.

	Blue Access 80/20 PPO	
	Individual	Family
Active Employee Contribution	\$189.60	\$525.00

Points	Retiree Contribution of Cost (%)
90+	0
80 – 89	25
70 – 79	50
60 – 69	75

The System will pay 25% of the active employee premium for those with less than 60 points.



SCHEDULE H

TABLE 1

**SCHEDULE OF ACTIVE MEMBERS BY AGE AND SERVICE
AS OF DECEMBER 31, 2009**

Age	Completed Years of Service							Total
	0 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30+	
Under 20	15							15
Avg Pay	12,720							12,720
20 - 24	47	2						49
Avg Pay	32,969	40,235						33,265
25 - 29	133	48	1					182
Avg Pay	38,210	42,499	54,467					39,431
30 - 34	99	83	27	1				210
Avg Pay	41,617	45,090	49,619	38,306				44,003
35 - 39	93	109	76	35	1			314
Avg Pay	48,620	48,420	48,782	52,733	43,321			49,031
40 - 44	71	117	78	110	88	2		466
Avg Pay	45,497	46,958	53,090	54,506	55,703	49,920		51,208
45 - 49	67	76	85	146	211	52	3	640
Avg Pay	45,653	45,954	52,955	54,697	58,452	60,402	56,061	54,188
50 - 54	50	67	61	112	171	153	21	635
Avg Pay	53,807	44,430	49,555	51,026	55,117	61,920	58,262	54,373
55 - 59	25	44	47	64	128	82	22	412
Avg Pay	57,593	49,692	52,226	51,616	55,005	59,837	69,654	55,495
60 - 64	12	28	18	38	48	12	12	168
Avg Pay	67,012	54,828	50,741	52,151	52,825	57,426	65,293	55,015
65 - 69		3	7	10	10	7	4	41
Avg Pay		34,781	51,268	56,294	57,099	59,804	61,321	55,148
70 & Over			3		6		7	16
Avg Pay			51,558		39,341		58,845	50,164
Total	612	577	403	516	663	308	69	3,148
Avg Pay	43,607	46,673	51,236	53,156	55,938	60,808	63,258	51,421

Average Age 46.54

Average Service 14.52



SCHEDULE H
(Continued)

TABLE 2

SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
AS OF DECEMBER 31, 2009

<u>Attained Age</u>	<u>Number of Members</u>	<u>Number of Spouses</u>	<u>Total</u>
39 & Under	4	12	16
40 - 44	6	16	22
45 - 49	29	66	95
50 - 54	181	175	356
55 - 59	503	369	872
60 - 64	742	407	1,149
65 - 69	578	299	877
70 - 74	560	241	801
75 - 79	558	180	738
80 - 84	474	95	569
85 - 89	360	63	423
90 - 94	134	12	146
95 - 99	48	5	53
100 & Over	<u>8</u>	<u>0</u>	<u>8</u>
Total	4,185	1,940	6,125

In addition, there are 90 deferred vested employees and beneficiaries entitled to deferred retiree health benefits.