

STATE OF CALIFORNIA RETIREE HEALTH BENEFITS PROGRAM
GASB NOS. 43 AND 45 ACTUARIAL VALUATION REPORT
AS OF JUNE 30, 2014



December 16, 2014

The Honorable John Chiang
California State Controller
300 Capitol Mall, Suite 1850
Sacramento, CA 95812

Dear Controller Chiang:

Submitted in this report are the results of our actuarial valuation of the liabilities associated with the retiree healthcare benefits provided to statewide employees through the programs sponsored by the State of California as administered by the California Public Employees Retirement System (CalPERS) and the California Department of Human Resource (CalHR). The valuation was based on census information as of June 30, 2014, and measures actuarial liabilities as of June 30, 2014. The report includes expense and financial reporting information applicable to fiscal year-end June 30, 2015, and a projection of annual expense for fiscal year-end June 30, 2016. This report was prepared at the request of the State Controller's Office (SCO) for the purpose of satisfying the State of California's financial reporting requirements.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements No. 43 and 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the State's or CalPERS' financial reporting requirements may produce significantly different results. This report may be provided to parties other than the SCO only in its entirety and only with the permission of the SCO.

The valuation was based on information furnished by SCO, CalPERS, and CalHR concerning retiree healthcare benefits, members' census and financial data. Data was reviewed for reasonableness and internal consistency but was not otherwise audited. We are not responsible for the accuracy or completeness of the information received to produce this valuation. The assumptions and methods used in this valuation are consistent with the CalPERS Other Postemployment Benefits (OPEB) assumption model and with the pension assumptions that will be used in the 2014 actuarial valuations of the CalPERS statewide pension programs. The assumptions and methods were approved by the SCO.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Retiree Healthcare Benefit Program sponsored by State of California as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Future actuarial measurements may differ significantly from the current measurements 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.



This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

Alex Rivera, Randall Dziubek, and Paul Wood are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



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Table of Contents

Section	Page Number	
		TRANSMITTAL LETTER
	1	EXECUTIVE SUMMARY
A	9	CURRENT OVERVIEW
B		VALUATION RESULTS
	15	Pay-as-You-Go Scenario
	20	Pre-Funding Scenarios
	25	Accounting Information
C	28	SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS
D	46	SUMMARY OF PARTICIPANT DATA
E	57	SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
F	66	PENSION-RELATED ASSUMPTIONS
Appendix	86	GLOSSARY

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

Introduction

The Governmental Accounting Standards Board (GASB) has issued accounting standards, Statements No. 43 and 45, relating to Other Postemployment Benefits (OPEB). Under these statements, public employers sponsoring and subsidizing retiree healthcare benefit programs will need to recognize the cost of such benefits on an accrual basis.

The State of California provides medical, prescription drug and dental benefits (healthcare benefits) to retired statewide employees through a single-employer defined benefit plan.

The State also offers life insurance, long-term care and vision benefits to retirees; however, because these benefits are completely paid for by retirees, there is no GASB No. 45 liability to the State on behalf of such benefits.

The State was required to adopt the provisions of GASB No. 45 for the fiscal year beginning July 1, 2007. This report was prepared in accordance with the requirements of GASB Nos. 43 and 45 and provides:

- 1) An actuarial valuation as of June 30, 2014, of the retiree healthcare benefits sponsored by the State of California for statewide employees based upon the plan and funding policy provisions in effect as of June 30, 2014;
- 2) Expense and financial reporting information for fiscal year-end June 30, 2015;
- 3) Projection of expense for fiscal year-end June 30, 2016; and
- 4) Alternative valuation results showing the financial impact of pre-funding retiree healthcare benefits.

We are not aware of any other OPEB offered to statewide employees that are subsidized by the State of California, and subject to GASB Nos. 43 and 45.

Background and Key Definitions

Prior to the adoption of GASB No. 45, public sector employers recognized accounting expense for retiree healthcare benefits on a cash basis, meaning that expense was equal to retiree healthcare claims expenditures incurred during the year. Because employers paid most of the claims expenditures during the course of the fiscal year, the accounting or balance sheet liability was relatively low.

GASB No. 45 requires that employers accrue the value of retiree healthcare earned during the employee's working lifetime. Changing the expense recognition from a cash to an accrual basis, requires performing an actuarial valuation and developing the following:

- 1) **Present value of future healthcare benefits** expected to be paid to current and future retirees.
- 2) **Actuarial Accrued Liability** is the present value of future retiree healthcare benefits attributable to employee service earned in prior fiscal years.
- 3) **Normal Cost** is the present value of future benefits earned by employees during the current fiscal year.
- 4) **Annual Required Contribution or ARC** equals the Normal Cost plus an amortization of the difference between the Actuarial Accrued Liability and any assets available to pay benefits.
- 5) **Annual OPEB Cost** equals the ARC plus a technical adjustment based on the balance sheet liability at the beginning of the fiscal year.
- 6) **Net OPEB Obligation** or balance sheet liability equals the cumulative difference between the Annual OPEB Cost and actual employer contributions.

Please note that the Actuarial Accrued Liability impacts the development of the ARC, and is disclosed in the employer's notes to the financial statements, but is not a component of the employer's balance sheet or accounting liability under the current provisions of GASB No. 45.

The Annual OPEB Cost is the employer's annual accounting expense and is not necessarily the same as the employer's actual cash contribution. An employer may decide to contribute the minimum amount needed to sustain the program, commonly referred to as pay-as-you-go funding. In this case, the balance sheet liability will grow significantly. Other employers may decide to fully fund the value of the retiree healthcare benefits and contribute the entire ARC into a separate retiree healthcare trust. For such employers, the balance sheet liability will be zero.

The Actuarial Accrued Liability and ARC were developed using the Individual Entry Age Normal Actuarial Cost Method as allowed by GASB Nos. 43 and 45. Furthermore, the application of the Actuarial Cost Method is based on a Closed Group as required by GASB Nos. 43 and 45. Under a Closed Group Actuarial Cost Method, actuarial present values associated with future entrants are not considered.

The valuation results are a function of the discount rate assumption used to develop the present value of future benefits. The discount rate is based on the assets available to pay benefits. Plan sponsors that finance benefits on a pay-as-you-go basis typically pay retiree healthcare benefits from the general fund. Because an employer's general fund is generally invested in short-term securities, a low discount rate assumption, such as four percent to five percent, is typically used to develop the present value of future benefits. However, plan sponsors that fully-fund retiree healthcare benefits in a separate trust may be able to construct a diversified investment portfolio that generates much higher returns such as seven percent to eight percent. Using a higher discount rate such as eight percent will produce a lower ARC when compared to a discount rate of four percent. Also, as assets in the trust accumulate, investment income will also grow thus lowering the overall costs to the employer.

Other key assumptions such as – healthcare inflation, projected healthcare claims, the likelihood an employee retires, elects healthcare coverage and survives after retirement – will also have an impact on costs.

California Highway Patrol Bargaining Unit (BU-5) – Prefunding

The current Agreement between the State and CHP Bargaining Unit 5 members was established for the period July 3, 2010, through July 3, 2013. The parties have agreed to extend the July 3, 2010, through July 3 2013, agreement to July 3, 2018. The key features of the agreement include:

- 1) Compensation increases were set to 1.0 percent for the period beginning July 1, 2010.
- 2) The total contributions to the CHP OPEB account would have equaled 2.0 percent of compensation effective July 1, 2010; however, the Tentative Agreement redirects the contributions of 2.0 percent of compensation to the Pension Fund from September 1, 2010, through June 30, 2013.
- 3) The matching State contribution to the CHP OPEB account of 2.0 percent of compensation is deferred from July 1, 2012, to July 1, 2013.
- 4) As of July 1, 2014, the State is scheduled to make total contributions, including matching contributions, of 4.0 percent of compensation to the CHP OPEB account.

The State and CHP established an account with the California Employees' Retiree Benefit Trust (CERBT) to prefund OPEB. As of January of 2010, the State and CHP members each made contributions of 0.5 percent of compensation. From July 1, 2013, through June 30, 2014, total contributions of \$21.75 million were made to the CHP OPEB account, and the account balance as of June 30, 2014, has grown to approximately \$37.59 million.

Contributions of 4.0 percent of compensation represent approximately 20 percent of the full funding ARC for fiscal year 2010. Given the low level of prefunding and the uncertainty of future contributions over the 4.0 percent target, the discount rate for CHP members was not increased and remains at 4.25 percent.

Craft and Maintenance-Bargaining Unit 12 (BU-12) – Prefunding

In August of 2013, the State and BU-12 reached an agreement for the period July 1, 2013, to July 1, 2015, to prefund postemployment healthcare benefits. The following language pertaining to prefunding is found in the agreement.

Pursuant to the recommendations of the Public Employee Post-Employment Benefits Commission, the parties recognize the importance of beginning to prefund liabilities for retiree health benefits. The State and Union hereby agree to share in the responsibility toward beginning the prefunding of these liabilities for members of Bargaining Unit 12; and, agree that the foregoing concepts will be implemented as a means to begin to offset the future financial liability for health benefits for retired members.

- 1) Beginning July 1, 2013, employees shall contribute 0.5% of base salary toward prefunding of retiree health benefits (deferred from July 1, 2010).*
- 2) Employee contributions shall be deducted from employee salary on a pre-tax basis.*
- 3) Contributions paid pursuant to this agreement shall not be recoverable under any circumstances to an employee or his/her beneficiary or survivor.*
- 4) The costs of administering payroll deductions and asset management shall be deducted from the contributions and/or account balance.*

The Governor's Public Employee Post-Employment Benefits Commission made recommendations regarding the need to prefund retiree health care obligations. This agreement represents a first step toward achieving that goal.

The parties agree to support any legislation necessary to initiate prefunding of retiree health care obligations.

The State and BU-12 established an account with the CERBT to prefund OPEB. The account balance as of June 30, 2014, is \$2.27 million.

Given the expected low level of prefunding and the uncertainty of future contributions, the discount rate for BU-12 members was not increased and remains at 4.25 percent.

Physicians, Dentists and Podiatrists-Bargaining Unit 16 (BU-16) – Prefunding

In August of 2013, the State and BU-16 reached an agreement for the period July 1, 2013, to July 1, 2016, to prefund postemployment healthcare benefits. The following language pertaining to prefunding is found in the agreement.

Pursuant to the recommendation of the Governor's Public Employee Post-Employment Benefits Commission, the parties recognize the importance of beginning to prefund liabilities for retiree health benefits. The State and Union hereby agree to share in the responsibility toward beginning the prefunding of these liabilities for members of Bargaining Unit 16; and, agree that the foregoing concepts will be implemented as a means to begin to offset the future financial liability for health benefits for retired members.

- 1) *Beginning July 1, 2013, employees shall contribute 0.5% of base salary toward prefunding of retiree health benefits.*
- 2) *Employee contributions shall be deducted from employee salary on a pre-tax basis.*
- 3) *Contributions paid pursuant to this agreement shall not be recoverable under any circumstances to an employee or his/her beneficiary or survivor.*
- 4) *The costs of administering payroll deductions and asset management shall be deducted from the contributions and/or account balance.*

The Governor's Public Employee Post-Employment Benefits Commission made recommendations regarding the need to prefund retiree health care obligations.

The Union agrees that it will not oppose legislation to initiate prefunding of retiree health care obligations.

The State and BU-16 established an account with the CERBT to prefund OPEB. The account balance as of June 30, 2014, is \$1.47 million.

Given the expected low level of prefunding and the uncertainty of future contributions, the discount rate for BU-16 members was not increased and remains at 4.25 percent.

Assets for Bargaining Units participating in the CERBT are allocated to the various pension groups based upon the accrued liability calculated as of June 30, 2013, in the GASB 43 valuations for each respective Bargain Unit.

For further information regarding BU-5, BU-12 and BU-16 pre-funding arrangements, please refer to the GASB No. 43 valuation reports specific to each Bargaining Unit.

California State Employees – GASB No. 45 Valuation Results

The following section presents the key GASB No. 45 valuation and accounting results for retiree healthcare benefits offered to California State employees. The Actuarial Accrued Liabilities are measured as of June 30, 2014, based on census data as of June 30, 2014.

The Annual Required Contribution (ARC) is defined as the Normal Cost plus a 30-year open level-percent-of-pay amortization of the Unfunded Actuarial Accrued Liability. The Net OPEB Obligation as of June 30, 2014, is \$19.36 billion. The ARC applicable to fiscal year-end June 30, 2015, is based on the results of the actuarial valuation as of June 30, 2013, projected to June 30, 2014, based on a wage inflation increase of 3.00 percent.

The valuation was performed assuming three alternative funding options and discount rates:

- Under the pay-as-you-go funding scenario, the State is assumed to finance retiree healthcare benefits from assets available in the general fund. Based on the State's Pooled Money Investment Account (PMIA) investment policy and historical returns, an investment return of 4.25 percent can be supported.
- Under the full-funding scenario, the State is assumed to fully fund the ARC in a separate trust, earmarked solely for retiree healthcare benefits, with an investment policy consistent with Strategy 1 as disclosed in the CalPERS OPEB assumption model for reports based on data measured after August 15, 2012, that can support a discount rate of 7.28 percent.
- Under the partial funding scenario, the State is assumed to contribute 50 percent of the excess of the full funding ARC over the pay-as-you-go costs, resulting in a discount rate of 5.765 percent.

Pay-as-you-go funding at 4.25 percent - \$71.81 billion Actuarial Accrued Liability

The pay-as-you-go funding scenario produced an actuarial accrued liability of \$71.81 billion as of June 30, 2014, an ARC of \$5.08 billion for fiscal year-end June 30, 2015, estimated employer contributions of \$1.87 billion for fiscal year-end June 30, 2015, and an expected Net OPEB Obligation of \$22.63 billion at fiscal year-end June 30, 2015.

Partial-funding at 5.765 percent - \$57.31 billion Actuarial Accrued Liability

The partial-funding scenario produced an actuarial accrued liability of \$57.31 billion as of June 30, 2014, an ARC of \$4.22 billion for fiscal year-end June 30, 2015, estimated employer contributions of \$2.76 billion for fiscal year-end June 30, 2015, and an expected Net OPEB Obligation of \$21.02 billion at fiscal year-end June 30, 2015.

Full-funding at 7.28 percent - \$46.81 billion Actuarial Accrued Liability

The full-funding scenario produced an actuarial accrued liability of \$46.81 billion as of June 30, 2014, an ARC of \$3.65 billion for fiscal year-end June 30, 2015, estimated employer contributions of \$3.65 billion for fiscal year-end June 30, 2015, and an expected Net OPEB Obligation of \$19.68 billion at fiscal year-end June 30, 2015.

Comparison of Key Valuation Results

Fiscal Year Ending June 30, 2015 (\$ in billions)	Pay-As-You-Go Funding (4.250%)	Partial Funding Policy (5.765%)	Full Funding Policy (7.280%)
Actuarial Accrued Liability as of June 30, 2014	\$71.81	\$57.31	\$46.81
Annual Required Contribution for FY 2015 ^a	\$5.08	\$4.22	\$3.65
Annual OPEB Cost for FY 2015	\$5.14	\$4.41	\$3.97
Expected Employer Contribution for FY 2015	\$1.87	\$2.76	\$3.65
Expected Net OPEB Obligation at FYE 2015	\$22.63	\$21.02	\$19.68
Annual Required Contribution for FY 2016 ^b	\$5.62	\$4.64	\$3.99

^a Based on actuarial valuation as of June 30, 2013, increased by wage inflation of 3.00 percent.

^b Based on actuarial valuation as of June 30, 2014, increased by wage inflation of 3.00 percent.

Fully funding retiree healthcare benefits increases cash contributions by 95 percent from \$1.87 billion to \$3.65 billion; however, the result is a smaller increase in the expected balance sheet liability at fiscal year-end 2015. Under the full funding scenario, the balance sheet liability is expected to increase from \$19.36 billion at fiscal year-end 2014 to \$19.68 billion at fiscal year-end 2015. The partial funding policy also controls the growth in the balance sheet liability and reduces the expected balance sheet liability at fiscal year-end 2015 by approximately 7 percent from \$22.63 billion to \$21.02 billion.

Basis of actuarial valuation

The preceding valuation results were based on:

- The provisions of GASB Statements No. 43 and 45.
- The provisions of Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefit Obligations*.
- Census information as of June 30, 2014, provided by the California Public Employees Retirement System (CalPERS) and the California Department of Human Resource (CalHR).
- Claims, enrollment data and average costs provided by CalPERS and CalHR for calendar years 2011, 2012 and 2013.

- Premium data through calendar year 2015, provided by CalPERS and CalHR.
- Employer Group Waiver Plan (EGWP) information provided by CalPERS.
- Plan information provided by CalPERS and CalHR.
- Demographic assumptions consistent with those that will be used in the 2014 actuarial valuations of the CalPERS statewide pension programs with the exception of JRS I, JRS II and LRS. The assumptions for JRS I, JRS II and LRS will be updated in the OPEB valuation report as of June 30, 2015.
- Retiree healthcare valuation assumptions and methods consistent with the CalPERS OPEB assumption model.
- Economic and other demographic assumptions such as the discount rate, healthcare inflation, healthcare claim costs and healthcare plan participation as recommended by Gabriel, Roeder, Smith & Company and approved by the SCO.
- The latest developments in Federal healthcare reform.
- The Net OPEB Obligation as of June 30, 2014, was estimated for each State group using:
 - The Net OPEB Obligation as of June 30, 2013;
 - Annual OPEB Cost for fiscal year-end 2014 as developed in the valuation report as of June 30, 2013; and
 - Actual employer contributions for fiscal year-end June 30, 2014, as provided by the SCO, allocated by the number of retirees disclosed in the valuation report as of June 30, 2013.
- The Unfunded Actuarial Accrued Liability (UAAL) is amortized over a 30-year open period as a level percent of pay. For the Legislative Retirement System, the UAAL is amortized over a ten-year open period as a level dollar amount.

The valuation was prepared under the supervision of members of the American Academy of Actuaries who satisfy the Qualification Standards of the American Academy of Actuaries to render an actuarial opinion on the valuation of retiree healthcare benefits.

The remainder of the report is an integral component of the valuation and includes:

- An overview of the current GASB Statements No. 43 and 45 requirements in effect on June 30, 2014.
- The basis of the actuarial assumptions and methods used in this valuation.
- Valuation results by employer group.
- Fiscal year-end 2014 financial disclosure information.
- Additional details on the census, plan provisions, assumptions and methods used to prepare the valuation.

SECTION A
CURRENT OVERVIEW

CURRENT OVERVIEW

Summary of GASB Accounting Standards

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

The Governmental Accounting Standards Board (GASB) has issued Statements No. 43 and 45, relating to Other Postemployment Benefits (OPEB). We understand the State of California provides subsidized medical, prescription drug and dental insurance benefits (healthcare benefits) to eligible retired state employees, that are subject to GASB Statements No. 43 and 45. Other OPEB offered to retired employees of the State of California are fully financed by plan members and have not been reflected in this valuation.

Background

GASB's issuance of Statements No. 43 and 45 represents the next phase in the movement toward full accrual accounting for state and local government-wide financial statements and for proprietary or fiduciary fund financial statements that are prepared in accordance with Generally Accepted Accounting Principles (GAAP).

In 1994 GASB issued Statements No. 25 and 27, relating to accrual accounting for pensions. These new GAAP accounting standards, Statements No. 43 and 45 for OPEB, were fashioned very similar to the pension standards.

One major difference, in practice, between pensions and OPEB is that pension benefits are almost always pre-funded, whereas OPEB typically are not. Pension plans have accumulated substantial assets in separate trust funds over the years to pay future pension benefits, whereas retiree healthcare programs have not. That is, most retiree healthcare programs are financed on a pay-as-you-go basis.

The State of California currently finances retiree healthcare benefits on a pay-as-you-go basis; however, Bargaining Units 5, 12 and 16 recently bargained for a modest level of pre-funding. As of June 30, 2014, there is approximately \$41.33 million in assets available to pay future retiree healthcare benefits currently invested in the CalPERS California Employers' Retiree Benefit Trust between the three Bargaining Units.

Annual OPEB Cost and Net OPEB Obligation

Under GASB No. 45, the Annual OPEB Cost is recorded as an expense and disclosed in the State's government-wide financial statement. Similar to the accounting rules for pension plans, the Annual OPEB Cost represents the actuarially determined annual costs, on an accrual basis, for healthcare benefits provided to current and future retirees. The Net OPEB Obligation represents the cumulative difference between the Annual OPEB Costs and actual cash contributions made by the employer, and is recognized as a balance sheet liability in the Statement of Net Assets.

Plan sponsors adopting GASB No. 45 also need to disclose certain information in the Notes to the Financial Statements and in the Required Supplementary Information section, including:

- Development of Annual OPEB Costs for the current fiscal year.
- Development of the Net OPEB Obligation at fiscal year-end.
- Historical Annual OPEB Costs and Employer Contributions.
- Historical Actuarial Accrued Liabilities and Assets.
- Basis for valuation including brief description of plan benefits, funding policy and assumptions and methods.

In addition, the accrual basis of accounting extends to proprietary and fiduciary funds. Their proportionate share of the total Annual OPEB Cost should be recognized as an OPEB expense and offset by their share of the amount of employer subsidies provided that year to the current covered retirees and dependents.

Unfunded Actuarial Accrued Liability for OPEB

Information about the current funded status and the history of funding progress will be presented in the Notes to the Financial Statements and in the Required Supplementary Information. The amount of the Actuarial Accrued Liability for OPEB will not be recorded as an expense or a liability on the balance sheet; however, it will be disclosed in the Notes to Financial Statements. Under a pay-as-you-go funding policy, no assets accumulate to offset the Actuarial Accrued Liability, and the Unfunded Actuarial Accrued Liability equals the Actuarial Accrued Liability.

Pre-funding Reduces OPEB Expense and Unfunded Actuarial Accrued Liability

Sponsors financing retiree healthcare benefits on a pay-as-you-go basis will need to measure the annual OPEB costs using an investment return assumption consistent with the earnings on the assets backing the retiree healthcare liability. In most cases, this will be the income earned from investments in the general fund, which may result in an interest rate ranging from four percent to five percent. When a low assumed investment return is used, the annual OPEB costs could range from three to five times the pay-as-you-go costs and the balance sheet liability could grow exponentially.

However, if a plan sponsor adopts a well-defined and integrated funding, investment and accounting policy for retiree healthcare benefits, then assets supporting the OPEB liability could result in a higher investment return assumption, a lower unfunded liability, lower annual OPEB costs, and reduced or no balance sheet liability.

Assumptions and Methods Impacting the Annual OPEB Costs and Unfunded Actuarial Accrued Liability

Discount Rate Assumption

The primary assumption influencing Annual OPEB Costs and the Actuarial Accrued Liability is the assumed rate of return or discount rate on assets supporting the retiree healthcare liability. The State of California currently finances retiree healthcare benefits on a pay-as-you-go basis from assets in the general fund, which are invested in short-term fixed income instruments through the Pooled Money Investment Account (PMIA). According to GASB No. 45, the discount rate must be consistent with the long-range expected return on such short-term fixed income instruments. Based on PMIA's historical returns, investment policy, expected future returns and an underlying inflation assumption of 2.75 percent, a discount rate of 4.25 percent was selected for the pay-as-you-go funding policy.

If a sound pre-funding policy is established and contributions are made to a qualifying trust with an appropriate investment policy, then:

- A higher discount rate, consistent with the funding and investment policies, can be used and actuarial accrued liabilities would be lower;
- Assets would accumulate;
- The unfunded liability could be significantly lower when compared to the pay-as-you-go policy;
- Annual OPEB costs would be lower; and
- The growth in balance sheet liability could be controlled.

The SCO, on behalf of the State, is reviewing the financial implications of fully or partially funding the retiree healthcare benefit obligation. At the request of the SCO, we developed valuation results under two alternative discount rate assumptions, assuming the State makes additional contributions in excess of pay-as-you-go costs to a qualifying trust, such as a Voluntary Employees' Beneficiary Association (VEBA) or Internal Revenue Code Section 115 governmental trust. Under the first alternative, the State is assumed to fully fund the ARC, supporting a discount rate of 7.28 percent, and under the second alternative, the State is assumed to pre-fund 50 percent of the excess of the fully-funded ARC over the pay-as-you-go costs, supporting a discount rate of 5.765 percent. The full funding discount rate of 7.28 percent is consistent with the rate expected to be earned under Strategy 1 as disclosed in the CalPERS OPEB assumption model for reports based on data measured after August 15, 2012.

Healthcare Trend Assumptions

The next key assumption influencing costs is the assumed growth or trend in healthcare costs. The healthcare trend assumption for OPEB valuations spans over the lifetime of a covered retiree which could extend to over 30 years. This is in contrast to the short-term healthcare inflation used to develop premiums for the next fiscal year. This long-term healthcare assumption is by far the most difficult to set.

Actuaries generally compare the growth in general inflation, wages, healthcare costs and other goods and services when setting the healthcare trend assumption. For example, the actuary may compare the historical experience of national healthcare expenditures to the Gross Domestic Product (GDP). Healthcare inflation may be expressed as general inflation plus a component for healthcare costs.

The long-term healthcare trend is generally lower than the short-term healthcare trend used to update premiums and expected claims in the following fiscal year because such short-term increases are generally not sustainable in the long-term. That is, if healthcare benefit costs are assumed to increase by nine percent per year in the long-term while the cost for other goods and services increase at a rate less than six percent per year, then in the long run the general economy would include a disproportionate share of expenditures allocated to healthcare benefits. Consequently, long-term retiree healthcare actuarial models generally assume that the initial trend rate will eventually grade down to a more sustainable level. For this valuation, the 2015 trend rates are based on actual premium increases from calendar 2014 to 2015. Based on a review of supporting documentation provided by CalPERS and a review of various publically available trend studies, the 2015 trend rate for the PPO per capita claims costs is assumed to be 7.00 percent. For 2016 and beyond we assumed an initial healthcare trend rate of 8.00 percent decreasing each year over the next five years until the ultimate rate of 4.50 percent is reached.

Adjustments to Estimate the Potential Impact of the Employer Group Waiver Plan (EGWP)

Effective January 1, 2013, prescription benefits for Medicare eligible members will be provided through an Employer Group Waiver Plan (EGWP) with a “Wrap” feature. The EGWP design is based on a federally approved drug formulary and plan design. A sponsor may provide additional benefits through a supplementary “Wrap” plan that ensures members will receive benefits that are relatively equal to those of the plan that the sponsor currently offers. In most instances, the current plan benefit design can be replicated through the combination of an EGWP-Wrap plan at reduced costs. The key components which are expected to reduce costs include:

- 1) Fifty percent discount on brand name drugs while member is in the “donut hole” coverage gap. (Under a standard or model Medicare Part D program, a member is responsible for 100 percent of the prescription costs from the initial coverage limit (\$2,850 for 2014) to the catastrophic coverage limit (\$6,455 for 2014). This coverage gap is also known as the “donut hole.” The discount is also applied to the member’s true out of pocket costs which allows federal catastrophic coverage to be reached sooner.
- 2) The “donut hole” coverage gap is reduced ratably and completely eliminated by 2020.
- 3) As the coverage gap diminishes, the sponsor’s “Wrap” supplemental benefits within the “donut hole” decreases.
- 4) Federal prescription drug subsidies must be used to reduce the cost of providing benefits to Medicare eligible members, resulting in lower premium rates. This feature allows the sponsor to reflect certain EGWP-Wrap savings in the GASB 45 valuation.

Based on updated data from CalPERS, the remaining savings as of June 30, 2014, attributable to the EGWP-Wrap design feature is approximately 35 percent for PERSCare and 32 percent for PERS Choice. Because of plan design differences from the PPO plans and higher than expected increases in premiums, the remaining savings as of June 30, 2014, attributable to the EGWP-Wrap design feature is approximately six percent for the HMO plans

It is not clear how brand name discounts and federal subsidies will impact the effective trend rates and overall costs in the future. Consequently, for GASB 45 valuation purposes, we have assumed that the EGWP-Wrap savings will gradually wear-away by the end of 2020.

Adjustments to Estimate the Impact of Excise Tax under Healthcare Reform

Beginning in 2018, the Patient Protection and Affordable Care Act (PPACA) imposes a 40 percent excise tax on healthcare plan costs over certain statutory limits. The annual statutory limits for 2018 depend on the age and coverage tier as follows:

	Age less than 55 or greater than 64	Age greater than 54 or less than 65
Single person coverage	\$10,200	\$11,850
All other coverage types	\$27,500	\$30,950

In 2019 and 2020, the statutory limits are increased by the rate for the Consumer Price Index for all Urban Consumers (CPI-U) plus one percentage point, and after 2020 the statutory limits are increased by the CPI-U rate. The statutory limits don't recognize differences due to region, health status of the group or plan design. Healthcare plan costs may be blended among active members, pre-Medicare retirees and Medicare retirees if members are covered by the same plan, and similar benefits are provided. Healthcare plan costs subject to the excise tax include: medical, prescription and employer Health Savings Accounts and Health Reimbursement Accounts.

For the valuation as of June 30, 2014, the impact of the excise tax was estimated by:

- 1) Aggregating average costs by the PPO plans and the HMO plans;
- 2) Projecting average plan costs based on the assumed valuation trend rate;
- 3) Projecting the statutory limits assuming a CPI-U rate of 3.0 percent;
- 4) Estimating the projected excise tax based on the projected average costs and statutory limits;
- 5) Assuming the plan sponsor would subsidize the excise tax and no additional costs would be passed to plan members; and
- 6) Developing an adjusted trend rate, applied to the explicit costs, to approximate the impact of the additional excise tax costs.

Based on the preceding method, the ultimate trend rate for future retirees was increased by an additional 0.14 of a percentage point to 4.64 percent on and after 2025.

Participation Assumption

A third key assumption influencing costs is the participation assumption, or the likelihood that an active member will retire and select healthcare coverage. This assumption generally depends on the subsidy provided by the employer. That is, the higher the level of employer benefits, and the lower the level of retiree-paid premium, the higher the likelihood the retired member will select healthcare coverage. For this valuation, we have defined participation rates that depend on the portion of the total premium paid by the State. On average, about 90 percent of all eligible retirees elect healthcare coverage.

Other Demographic Assumptions

Demographic assumptions are used to determine the likelihood an active member will retire, survive and receive benefits. Assumptions relating to termination, disability, retirement and mortality were based on the same assumptions used by CalPERS to develop costs for pension benefits. We reviewed the CalPERS assumptions for reasonableness and consistency.

Retiree Per Capita Claim Costs and the Implicit Rate Subsidy

A retiree healthcare valuation depends on the retired member's expected healthcare claim at a given age indexed for healthcare inflation. Average healthcare costs are generally developed using the experience of the group, and are adjusted for the retired member's age based on standard morbidity tables or group specific morbidity for very large groups.

The employer's net cost for a given member in a given year equals the expected age-adjusted annual claims cost less the member's annual contribution. Retired members not eligible for Medicare who are charged a premium based on the experience of both active and retired members will be receiving a subsidy because the average healthcare costs of retired members is generally higher than the blended average costs of a group comprised of both active and retired members. This subsidy is referred to as the *implicit rate subsidy*, and is a major contributor to the OPEB costs. The portion of the blended average costs paid by the employer is referred to as the *explicit rate subsidy*, and also directly impacts OPEB costs.

Community-rated Plans

Certain plan sponsors may be able to participate in a community rated healthcare plan in which:

- Healthcare costs for a group of participating employers are pooled through either a fully-insured program or a self-insured agent multiple employer arrangement;
- The same premium rate is charged to all active members and pre-Medicare retirees in the pool;
- The individual plan sponsor's experience or change in demographics does not affect the pooled premium rate; and
- The same premium rate would be charged if the group covered only pre-Medicare retirees.

In such cases, the plan sponsor does not need to recognize an implicit rate subsidy and may determine costs under GASB Nos. 43 and 45 using unadjusted premiums in the actuarial valuation.

Because State employees and retirees comprise over 60 percent of total covered lives in the healthcare programs administered by CalPERS, and are rated separately from other participating local government employers, the State is not eligible for the community rating exception.

Actuarial Cost Method

Actuarial valuation results such as the Actuarial Accrued Liability, Normal Cost and Annual Required Contribution, were developed using the Entry Age Normal Actuarial Cost Method as allowed by GASB Nos. 43 and 45. This method produces an Annual Required Contribution that is level as a percentage of the member's pay.

Closed Versus Open Group Valuation

The development of the Annual Required Contribution and the measurement of the Actuarial Accrued Liability were based on a "closed group" valuation, as required by GASB Nos. 43 and 45. A closed group valuation produces a snapshot of assets, liabilities and costs for the current fiscal year without considering how future new hires may influence costs. An open group valuation considers the impact of future new hires and is a useful tool to evaluate the impact of future potential changes in demographics, benefit design, assumptions, funding policies or the budgetary effects of the OPEB programs.

SECTION B
VALUATION RESULTS

VALUATION RESULTS

Pay-as-you-go Scenario

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

The following tables show key valuation results by employer, on a pay-as-you-go basis, using a discount rate of 4.25 percent. The discount rate represents the long-term expectation of the earnings on the State's general fund, which is invested in short-term securities in the Pooled Money Investment Account (PMIA). Over the last twenty-five years, the PMIA average annual return was approximately 4.25 percent on a nominal basis. The discount rate of 4.25 percent takes into consideration a long-term inflation assumption of 2.75 percent, and a real rate of return of 1.50 percent.

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level percent of active member payroll over an open period of 30 years using the individual entry-age normal cost method. The UAAL for the Legislative Retirement System is amortized over a ten-year open period as a level dollar amount. A 30-year amortization period for Unfunded Actuarial Accrued Liabilities is the maximum period that complies with the GASB No. 45 requirements. The cost and liabilities shown on the following page are employer costs and liabilities, net of retiree paid premiums and cost sharing such as co-pays, deductibles, or coinsurance. A summary of the key valuation results follows:

The actuarial liability increased from \$64.58 billion as of June 30, 2013, to \$71.81 billion as of June 30, 2014. If the plan's assumptions had been exactly realized during the year and no assumptions changes were made, the actuarial liability would have increased to \$67.99 billion as of June 30, 2014. The key factors contributing to the unexpected change in actuarial liabilities of \$3.82 billion include:

- During the year, favorable healthcare claims experience and plan design changes decreased the actuarial liability by \$3.32 billion. This change in accrued liability is mainly driven by the relationship between the assumed trend rate for claims cost in 2014 used in last year's valuation and the trend rate for 2014 based on actual experience. For example, based on the assumed trend rates for 2014 in last year's valuation, PPO claims costs were expected to increase 7.5 percent. The actual increase was much lower than that assumption, thus resulting in a gain. Also, greater than expected savings attributable to the EGWP design for the PPO plans also produced a gain in the liabilities.
- Demographic experience did not change the actuarial liabilities significantly. There were most likely offsetting gains and losses that led to this minimal change. Examples of demographic experience gains include: fewer members retiring than assumed, members retiring later than assumed and members not living as long as assumed. Examples of demographic experience losses include: more members retiring than assumed, members retiring earlier than assumed and members living longer than assumed.
- Subsequent to the June 30, 2013, GASB No. 45 actuarial valuation, CalPERS performed a fourteen-year experience study where all pension related assumptions were reviewed.

Many of the assumptions were updated to reflect actual experience over the fourteen-year period. These changes have been adopted for this valuation. The assumption changes increased liabilities by approximately \$7.14 billion. The largest change was due to the updating of the mortality table used to model post-retirement deaths. Under the new assumptions members are expected to live longer. The change in demographic assumptions is the largest contributor to the loss in actuarial liability.

For fiscal year-end June 30, 2015, the ARC is based on the results of the actuarial valuation as of June 30, 2013, projected to the following year. That is, the ARC for fiscal year-end June 30, 2015, of \$4.93 billion, developed in the valuation report as of June 30, 2013, was increased by wage inflation of 3.00 percent, which equals \$5.08 billion.

The expected employer payments for fiscal year-end June 30, 2015, include \$1.63 billion of explicit costs and \$0.24 billion of implicit costs. In accordance with the requirements of GASB 45, our valuation of the actuarial liability recognizes all prescription claims for Medicare eligible members paid by the employer.

The projected ARC for fiscal year-end June 30, 2016, is based on the valuation as of June 30, 2014, increased with wage inflation of 3.00 percent and equals \$5.62 billion.

CALIFORNIA STATE EMPLOYEES OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s) PAY-AS-YOU-GO FUNDING POLICY (4.250%) (GAIN)/LOSS ANALYSIS	
Actuarial Accrued Liability as of July 1, 2013	\$64,584,375
Normal Cost for 13/14 ¹	2,378,537
Expected Benefit Payments for 13/14	(1,775,080)
Interest	<u>2,805,984</u>
Expected Actuarial Accrued Liability as of June 30, 2014	\$67,993,816
(Gain)/Loss Items	
Healthcare Claims Experience and Design Changes	(\$3,321,067)
Demographic Experience	3,139
Change in Pension Related Assumptions	<u>7,138,809</u>
Total	\$3,820,881
Actuarial Accrued Liability as of June 30, 2014	\$71,814,697

¹Based on valuation results as of June 30, 2013, and differs from the FY 13/14 normal cost used to develop the ARC for FY 13/14 which was developed in the valuation as of June 30, 2012, increased with the wage inflation assumption of 3.25 percent.

State of California OPEB Valuation as of June 30, 2014

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s)													
PAY-AS-YOU-GO FUNDING POLICY (4.250%)													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Number of Participants Covered													
Active Participants	41,577	132,566	174,143	11,170	7,200	402	39,555	39,957	26,037	1,668	11	545	260,731
Retired Participants	27,615	86,997	114,612	4,700	7,280	292	26,395	26,687	12,657	1,678	96	129	167,839
Total Participants	69,192	219,563	288,755	15,870	14,480	694	65,950	66,644	38,694	3,346	107	674	428,570
Actuarial Present Value of Proj. Benefits													
Active Participants	\$9,414,381	\$29,505,273	\$38,919,654	\$2,490,444	\$3,200,086	\$147,043	\$13,328,821	\$13,475,864	\$5,590,670	\$280,077	\$1,654	\$128,142	\$64,086,591
Retired Participants	5,268,698	16,099,727	21,368,425	914,222	2,323,430	97,110	8,567,788	8,664,898	2,839,944	276,038	15,209	33,848	36,436,014
Total Participants	\$14,683,079	\$45,605,000	\$60,288,079	\$3,404,666	\$5,523,516	\$244,153	\$21,896,609	\$22,140,762	\$8,430,614	\$556,115	\$16,863	\$161,990	\$100,522,605
Actuarial Accrued Liability													
Active Participants	\$4,752,966	\$17,545,423	\$22,298,389	\$1,270,645	\$1,662,019	\$69,759	\$6,981,272	\$7,051,031	\$2,833,958	\$181,531	\$1,437	\$79,673	\$35,378,683
Retired Participants	5,268,698	16,099,727	21,368,425	914,222	2,323,430	97,110	8,567,788	8,664,898	2,839,944	276,038	15,209	33,848	36,436,014
Total Participants	\$10,021,664	\$33,645,150	\$43,666,814	\$2,184,867	\$3,985,449	\$166,869	\$15,549,060	\$15,715,929	\$5,673,902	\$457,569	\$16,646	\$113,521	\$71,814,697
Actuarial Value of Assets	\$3	\$2,059	\$2,062	\$54	\$37,594	\$0	\$2	\$2	\$1,594	\$0	\$0	\$28	\$41,334
Unfunded Actuarial Accrued Liability	\$10,021,661	\$33,643,091	\$43,664,752	\$2,184,813	\$3,947,855	\$166,869	\$15,549,058	\$15,715,927	\$5,672,308	\$457,569	\$16,646	\$113,493	\$71,773,363
Annual Required Contribution of the Employer (ARC) for YE 6/30/15 ^a													
Normal Cost	\$406,651	\$1,034,104	\$1,440,755	\$95,731	\$124,625	\$6,157	\$523,407	\$529,564	\$240,511	\$13,466	\$80	\$5,161	\$2,449,893
Amortization of UAAL	364,196	1,223,598	1,587,794	78,978	157,099	6,192	568,241	574,433	204,003	19,419	2,205	4,045	2,627,976
Total ARC for FYE 6/30/15	\$770,847	\$2,257,702	\$3,028,549	\$174,709	\$281,724	\$12,349	\$1,091,648	\$1,103,997	\$444,514	\$32,885	\$2,285	\$9,206	\$5,077,869
Per Active Participant (not in '000s)	\$18,540	\$17,031	\$17,391	\$15,641	\$39,128	\$30,719	\$27,598	\$27,630	\$17,072	\$19,715	\$207,727	\$16,892	\$19,476
Annual OPEB Cost (AOC) for YE 6/30/15													
ARC for FYE 6/30/15	\$770,847	\$2,257,702	\$3,028,549	\$174,709	\$281,724	\$12,349	\$1,091,648	\$1,103,997	\$444,514	\$32,885	\$2,285	\$9,206	\$5,077,869
Interest on NOO at 6/30/14	107,725	342,394	450,119	32,862	41,953	1,932	212,221	214,153	78,224	3,448	295	1,836	822,890
Adjustment to the ARC	(100,094)	(318,137)	(418,231)	(30,533)	(38,981)	(1,796)	(197,186)	(198,982)	(72,683)	(3,203)	(830)	(1,706)	(765,149)
Total AOC for FYE 6/30/15	\$778,478	\$2,281,959	\$3,060,437	\$177,038	\$284,696	\$12,485	\$1,106,683	\$1,119,168	\$450,055	\$33,130	\$1,750	\$9,336	\$5,135,610
Expected Net Employer Contribution for FYE 6/30/15	\$292,185	\$901,734	\$1,193,919	\$48,338	\$100,593	\$4,083	\$358,338	\$362,421	\$141,994	\$19,444	\$1,063	\$1,689	\$1,869,461
Actual Net OPEB Obligation at 6/30/14	\$2,534,717	\$8,056,324	\$10,591,041	\$773,216	\$987,127	\$45,474	\$4,993,424	\$5,038,898	\$1,840,574	\$81,122	\$6,935	\$43,209	\$19,362,122
Expected Net OPEB Obligation at 6/30/15	\$3,021,010	\$9,436,549	\$12,457,559	\$901,916	\$1,171,230	\$53,876	\$5,741,769	\$5,795,645	\$2,148,635	\$94,808	\$7,622	\$50,856	\$22,628,271

^a Based on results of actuarial valuation as of June 30, 2013, projected to June 30, 2014, using a wage inflation assumption of 3.00 percent. For the Legislative Retirement System, the UAAL is amortized over a ten-year period as a level dollar amount.

CALIFORNIA STATE EMPLOYEES EXPECTED NET EMPLOYER CASH FLOW - FY 2015 (\$ in '000s)													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Employer Share of Claims Costs													
Explicit Costs ^a													
Medical and Rx Claims	\$203,117	\$624,577	\$827,694	\$34,160	\$73,322	\$3,221	\$281,402	\$284,623	\$100,982	\$12,658	\$709	\$1,248	\$1,335,396
Part B Reimbursement	40,264	106,648	146,912	4,943	8,106	258	18,257	18,515	13,111	3,315	131	103	195,136
Dental Claims	<u>14,531</u>	<u>50,202</u>	<u>64,733</u>	<u>2,681</u>	<u>4,817</u>	<u>168</u>	<u>16,685</u>	<u>16,853</u>	<u>7,353</u>	<u>1,120</u>	<u>59</u>	<u>84</u>	<u>97,700</u>
Total	\$257,912	\$781,427	\$1,039,339	\$41,784	\$86,245	\$3,647	\$316,344	\$319,991	\$121,446	\$17,093	\$899	\$1,435	\$1,628,232
Implicit Costs	<u>\$34,273</u>	<u>\$120,307</u>	<u>\$154,580</u>	<u>\$6,554</u>	<u>\$14,348</u>	<u>\$436</u>	<u>\$41,994</u>	<u>\$42,430</u>	<u>\$20,548</u>	<u>\$2,351</u>	<u>\$164</u>	<u>\$254</u>	<u>\$241,229</u>
Total Employer Costs ^b	\$292,185	\$901,734	\$1,193,919	\$48,338	\$100,593	\$4,083	\$358,338	\$362,421	\$141,994	\$19,444	\$1,063	\$1,689	\$1,869,461
Retiree Share of Claim Costs													
Medical and Rx Claims	\$7,531	\$29,541	\$37,072	\$2,067	\$1,483	\$162	\$16,526	\$16,688	\$8,134	\$369	\$33	\$143	\$65,989
Dental Claims	<u>0</u>	<u>15,531</u>	<u>15,531</u>	<u>832</u>	<u>1,527</u>	<u>0</u>	<u>5,242</u>	<u>5,242</u>	<u>2,267</u>	<u>359</u>	<u>19</u>	<u>27</u>	<u>25,804</u>
Total	\$7,531	\$45,072	\$52,603	\$2,899	\$3,010	\$162	\$21,768	\$21,930	\$10,401	\$728	\$52	\$170	\$91,793
Total Claims Costs	\$299,716	\$946,806	\$1,246,522	\$51,237	\$103,603	\$4,245	\$380,106	\$384,351	\$152,395	\$20,172	\$1,115	\$1,859	\$1,961,254

^a The explicit employer cost is an estimate of the employer paid premium for the fiscal year-end June 30, 2015. It is based on an actuarial projection of the retiree population using the demographic assumptions contained in Sections E and F of the report, and a projection of premium rates assuming actual trend for fiscal year-end June 30, 2015. The actual explicit employer subsidy will be updated based on the actual blended premium paid by the employer during the fiscal year.

^b The total employer costs, comprised of the explicit and implicit subsidy, will also be updated at fiscal year-end, as the actual claim experience for retired members becomes available.

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s)													
PAY-AS-YOU-GO FUNDING POLICY (4.250%)													
DEVELOPMENT OF FYE 2016 ANNUAL REQUIRED CONTRIBUTION													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
ARC based on 6/30/14 valuation													
Normal Cost	\$438,942	\$1,112,755	\$1,551,697	\$103,985	\$120,756	\$6,476	\$550,236	\$556,712	\$270,564	\$12,346	\$79	\$5,139	\$2,621,278
Amortization of UAAL	<u>395,746</u>	<u>1,328,536</u>	<u>1,724,282</u>	<u>86,276</u>	<u>155,897</u>	<u>6,590</u>	<u>614,018</u>	<u>620,608</u>	<u>223,994</u>	<u>18,069</u>	<u>1,993</u>	<u>4,482</u>	<u>2,835,601</u>
Total ARC	\$834,688	\$2,441,291	\$3,275,979	\$190,261	\$276,653	\$13,066	\$1,164,254	\$1,177,320	\$494,558	\$30,415	\$2,072	\$9,621	\$5,456,879
ARC for YE 6/30/16													
Normal Cost	\$452,110	\$1,146,138	\$1,598,248	\$107,105	\$124,379	\$6,670	\$566,743	\$573,413	\$278,681	\$12,716	\$81	\$5,293	\$2,699,916
Amortization of UAAL	<u>407,618</u>	<u>1,368,392</u>	<u>1,776,010</u>	<u>88,864</u>	<u>160,574</u>	<u>6,788</u>	<u>632,439</u>	<u>639,227</u>	<u>230,714</u>	<u>18,612</u>	<u>2,053</u>	<u>4,616</u>	<u>2,920,670</u>
Total ARC for YE 6/30/16^a	\$859,728	\$2,514,530	\$3,374,258	\$195,969	\$284,953	\$13,458	\$1,199,182	\$1,212,640	\$509,395	\$31,328	\$2,134	\$9,909	\$5,620,586

^a For fiscal year-end June 30, 2016, the ARC will be based on the results of the actuarial valuation as of June 30, 2014, projected to the following year. That is, the ARC will increase by the wage inflation assumption of 3.00 percent.

VALUATION RESULTS

Pre-Funding Scenarios

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

The following tables show valuation results assuming the State of California pre-funds benefits in excess of the pay-as-you-go costs into a qualifying retiree healthcare benefit trust. Two alternatives are shown below assuming the State:

- Fully funds the Annual Required Contribution and a discount rate of 7.28 percent can be supported. The discount rate of 7.28 percent can be supported provided that the asset allocation is consistent with Strategy 1 as disclosed in the CalPERS OPEB assumption model for reports based on data measured after August 15, 2012; or
- Partially funds the Annual Required Contribution by an amount equal to the pay-as-you-go cost plus 50 percent of the excess of the Annual Required Contribution over the pay-as-you-go cost and a discount rate of 5.765 percent can be supported.

The full funding discount rate is based on the expected investment return, which the current asset allocation of the trust is expected to earn over the long term. For illustrative purposes, we have assumed the investment and contribution policy of the qualifying retiree healthcare benefit trust is consistent with Strategy 1 as disclosed in the CalPERS OPEB assumption model for reports based on data measured after August 15, 2012, and can support a discount rate of 7.28 percent.

The full-funding policy produces a fiscal year 2015 Annual Required Contribution of \$3.65 billion, cash contributions of \$3.65 billion and an actuarial liability of \$46.81 billion.

The partial funding discount rate of 5.765 percent represents a pro rata allocation of the assumed investment returns for the full-funding and pay-as-you-go scenarios.

The partial funding policy produces a fiscal year 2015 Annual Required Contribution of \$4.22 billion, cash contributions of \$2.76 billion and an actuarial liability of \$57.31 billion.

Some key observations of the fiscal year 2015 valuation results assuming the State pre-funds benefits include:

- If the State fully funds the program by contributing the Annual Required Contribution, State contributions increase by 95 percent from \$1.87 billion to \$3.65 billion. Under this scenario, the additional balance sheet liability is minimal, that is, the balance sheet liability is expected to increase from \$19.36 billion at fiscal year-end 2014 to \$19.68 billion at fiscal year-end 2015.
- If the State partially funds the program, contributions increase by 48 percent from \$1.87 billion to \$2.76 billion, and the Annual Required Contribution decreases by 17 percent from \$5.08 billion to \$4.22 billion. Under this scenario the balance sheet liability is \$21.02 billion or roughly 7 percent less than the pay-as-you-go alternative.

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s)													
FULL FUNDING POLICY (7.280%)													
	State Miscellaneous			State Police Officers and Firefighters (POFF)									
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Number of Participants Covered													
Active Participants	41,578	132,567	174,145	11,170	7,200	402	39,555	39,957	26,037	1,668	11	545	260,733
Retired Participants	27,615	86,997	114,612	4,700	7,280	292	26,395	26,687	12,657	1,678	96	129	167,839
Total Participants	69,193	219,564	288,757	15,870	14,480	694	65,950	66,644	38,694	3,346	107	674	428,572
Actuarial Present Value of Proj. Benefits													
Active Participants	\$4,725,615	\$14,860,929	\$19,586,544	\$1,210,151	\$1,440,324	\$68,230	\$6,335,629	\$6,403,859	\$2,775,251	\$165,479	\$1,013	\$67,397	\$31,650,018
Retired Participants	3,833,738	11,647,023	15,480,761	651,772	1,603,822	65,705	5,790,515	5,856,220	1,993,624	210,329	11,501	23,383	25,831,412
Total Participants	\$8,559,353	\$26,507,952	\$35,067,305	\$1,861,923	\$3,044,146	\$133,935	\$12,126,144	\$12,260,079	\$4,768,875	\$375,808	\$12,514	\$90,780	\$57,481,430
Actuarial Accrued Liability													
Active Participants	\$2,892,700	\$10,489,577	\$13,382,277	\$755,245	\$915,941	\$39,582	\$4,029,701	\$4,069,283	\$1,689,625	\$121,596	\$909	\$48,588	\$20,983,464
Retired Participants	3,833,738	11,647,023	15,480,761	651,772	1,603,822	65,705	5,790,515	5,856,220	1,993,624	210,329	11,501	23,383	25,831,412
Total Participants	\$6,726,438	\$22,136,600	\$28,863,038	\$1,407,017	\$2,519,763	\$105,287	\$9,820,216	\$9,925,503	\$3,683,249	\$331,925	\$12,410	\$71,971	\$46,814,876
Actuarial Value of Assets	\$3	\$2,059	\$2,062	\$54	\$37,594	\$0	\$2	\$2	\$1,594	\$0	\$0	\$28	\$41,334
Unfunded Actuarial Accrued Liability	\$6,726,435	\$22,134,541	\$28,860,976	\$1,406,963	\$2,482,169	\$105,287	\$9,820,214	\$9,925,501	\$3,681,655	\$331,925	\$12,410	\$71,943	\$46,773,542
Annual Required Contribution of the Employer (ARC) for YE 6/30/15 ^a													
Normal Cost	\$204,799	\$478,946	\$683,745	\$45,926	\$51,439	\$2,831	\$238,203	\$241,034	\$119,878	\$6,860	\$41	\$2,504	\$1,151,427
Amortization of UAAL	357,313	1,176,977	1,534,290	74,356	142,593	5,671	522,103	527,774	194,126	20,095	1,832	3,730	2,498,796
Total ARC for FYE 6/30/15	\$562,112	\$1,655,923	\$2,218,035	\$120,282	\$194,032	\$8,502	\$760,306	\$768,808	\$314,004	\$26,955	\$1,873	\$6,234	\$3,650,223
Per Active Participant (not in '000s)	\$13,519	\$12,491	\$12,737	\$10,768	\$26,949	\$21,149	\$19,221	\$19,241	\$12,060	\$16,160	\$170,273	\$11,439	\$14,000
Annual OPEB Cost (AOC) for YE 6/30/15													
ARC for FYE 6/30/15	\$562,112	\$1,655,923	\$2,218,035	\$120,282	\$194,032	\$8,502	\$760,306	\$768,808	\$314,004	\$26,955	\$1,873	\$6,234	\$3,650,223
Interest on NOO at 6/30/14	186,555	592,945	779,500	56,909	72,653	3,347	367,516	370,863	135,466	5,971	511	3,180	1,425,053
Adjustment to the ARC	(144,636)	(459,709)	(604,345)	(44,121)	(56,327)	(2,595)	(284,934)	(287,529)	(105,027)	(4,629)	(935)	(2,466)	(1,105,379)
Total AOC for FYE 6/30/15	\$604,031	\$1,789,159	\$2,393,190	\$133,070	\$210,358	\$9,254	\$842,888	\$852,142	\$344,443	\$28,297	\$1,449	\$6,948	\$3,969,897
Expected Net Employer Contribution for FYE 6/30/15	\$562,112	\$1,655,923	\$2,218,035	\$120,282	\$194,032	\$8,502	\$760,306	\$768,808	\$314,004	\$26,955	\$1,873	\$6,234	\$3,650,223
Actual Net OPEB Obligation at 6/30/14	\$2,534,717	\$8,056,324	\$10,591,041	\$773,216	\$987,127	\$45,474	\$4,993,424	\$5,038,898	\$1,840,574	\$81,122	\$6,935	\$43,209	\$19,362,122
Expected Net OPEB Obligation at 6/30/15	\$2,576,636	\$8,189,560	\$10,766,196	\$786,004	\$1,003,453	\$46,226	\$5,076,006	\$5,122,232	\$1,871,013	\$82,464	\$6,511	\$43,923	\$19,681,796

^a Based on results of actuarial valuation as of June 30, 2013, projected to June 30, 2014, using a discount rate of 7.36 percent and a wage inflation assumption of 3.00 percent. For the Legislative Retirement System, the UAAL is amortized over a ten-year period as a level dollar amount.

CALIFORNIA STATE EMPLOYEES OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s) FULL FUNDING POLICY (7.280%) DEVELOPMENT OF FYE 2016 ANNUAL REQUIRED CONTRIBUTION													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
ARC based on 6/30/14 valuation Normal Cost	\$218,137	\$510,119	\$728,256	\$49,383	\$50,928	\$3,014	\$249,086	\$252,100	\$132,886	\$6,436	\$42	\$2,456	\$1,222,487
Amortization of UAAL	<u>380,547</u>	<u>1,252,259</u>	<u>1,632,806</u>	<u>79,599</u>	<u>140,428</u>	<u>5,957</u>	<u>555,578</u>	<u>561,535</u>	<u>208,289</u>	<u>18,779</u>	<u>1,668</u>	<u>4,070</u>	<u>2,647,174</u>
Total ARC	\$598,684	\$1,762,378	\$2,361,062	\$128,982	\$191,356	\$8,971	\$804,664	\$813,635	\$341,175	\$25,215	\$1,710	\$6,526	\$3,869,661
ARC for YE 6/30/16 Normal Cost	\$224,681	\$525,423	\$750,104	\$50,864	\$52,456	\$3,104	\$256,559	\$259,663	\$136,873	\$6,629	\$43	\$2,530	\$1,259,162
Amortization of UAAL	<u>391,963</u>	<u>1,289,827</u>	<u>1,681,790</u>	<u>81,987</u>	<u>144,641</u>	<u>6,136</u>	<u>572,245</u>	<u>578,381</u>	<u>214,538</u>	<u>19,342</u>	<u>1,718</u>	<u>4,192</u>	<u>2,726,589</u>
Total ARC for YE 6/30/16 ^a	\$616,644	\$1,815,250	\$2,431,894	\$132,851	\$197,097	\$9,240	\$828,804	\$838,044	\$351,411	\$25,971	\$1,761	\$6,722	\$3,985,751

^a For fiscal year-end June 30, 2016, the ARC will be based on the results of the actuarial valuation as of June 30, 2014, projected to the following year. That is, the ARC will increase by the wage inflation assumption of 3.00 percent.

State of California OPEB Valuation as of June 30, 2014

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s)													
PARTIAL FUNDING POLICY (5.765%)													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Number of Participants Covered													
Active Participants	41,577	132,566	174,143	11,170	7,200	402	39,555	39,957	26,037	1,668	11	545	260,731
Retired Participants	<u>27,615</u>	<u>86,997</u>	<u>114,612</u>	<u>4,700</u>	<u>7,280</u>	<u>292</u>	<u>26,395</u>	<u>26,687</u>	<u>12,657</u>	<u>1,678</u>	<u>96</u>	<u>129</u>	<u>167,839</u>
Total Participants	69,192	219,563	288,755	15,870	14,480	694	65,950	66,644	38,694	3,346	107	674	428,570
Actuarial Present Value of Proj. Benefits													
Active Participants	\$6,540,258	\$20,535,142	\$27,075,400	\$1,701,331	\$2,101,782	\$98,085	\$8,999,991	\$9,098,076	\$3,862,212	\$212,577	\$1,278	\$91,299	\$44,143,955
Retired Participants	<u>4,454,720</u>	<u>13,567,348</u>	<u>18,022,068</u>	<u>764,342</u>	<u>1,907,764</u>	<u>78,856</u>	<u>6,952,799</u>	<u>7,031,655</u>	<u>2,353,625</u>	<u>239,261</u>	<u>13,119</u>	<u>27,827</u>	<u>30,359,661</u>
Total Participants	\$10,994,978	\$34,102,490	\$45,097,468	\$2,465,673	\$4,009,546	\$176,941	\$15,952,790	\$16,129,731	\$6,215,837	\$451,838	\$14,397	\$119,126	\$74,503,616
Actuarial Accrued Liability													
Active Participants	\$3,669,770	\$13,425,504	\$17,095,274	\$969,474	\$1,218,070	\$51,910	\$5,240,500	\$5,292,410	\$2,164,877	\$147,493	\$1,130	\$61,594	\$26,950,322
Retired Participants	<u>4,454,720</u>	<u>13,567,348</u>	<u>18,022,068</u>	<u>764,342</u>	<u>1,907,764</u>	<u>78,856</u>	<u>6,952,799</u>	<u>7,031,655</u>	<u>2,353,625</u>	<u>239,261</u>	<u>13,119</u>	<u>27,827</u>	<u>30,359,661</u>
Total Participants	\$8,124,490	\$26,992,852	\$35,117,342	\$1,733,816	\$3,125,834	\$130,766	\$12,193,299	\$12,324,065	\$4,518,502	\$386,754	\$14,249	\$89,421	\$57,309,983
Actuarial Value of Assets	\$3	\$2,059	\$2,062	\$54	\$37,594	\$0	\$2	\$2	\$1,594	\$0	\$0	\$28	\$41,334
Unfunded Actuarial Accrued Liability	\$8,124,487	\$26,990,793	\$35,115,280	\$1,733,762	\$3,088,240	\$130,766	\$12,193,297	\$12,324,063	\$4,516,908	\$386,754	\$14,249	\$89,393	\$57,268,649
Annual Required Contribution of the Employer (ARC) for YE 6/30/15 ^a													
Normal Cost	\$285,431	\$696,621	\$982,052	\$65,621	\$79,192	\$4,122	\$348,950	\$353,072	\$167,713	\$9,537	\$57	\$3,559	\$1,660,803
Amortization of UAAL	<u>360,425</u>	<u>1,198,518</u>	<u>1,558,943</u>	<u>76,519</u>	<u>149,068</u>	<u>5,905</u>	<u>542,880</u>	<u>548,785</u>	<u>198,655</u>	<u>19,775</u>	<u>1,994</u>	<u>3,880</u>	<u>2,557,619</u>
Total ARC for FYE 6/30/15	<u>\$645,856</u>	<u>\$1,895,139</u>	<u>\$2,540,995</u>	<u>\$142,140</u>	<u>\$228,260</u>	<u>\$10,027</u>	<u>\$891,830</u>	<u>\$901,857</u>	<u>\$366,368</u>	<u>\$29,312</u>	<u>\$2,051</u>	<u>\$7,439</u>	<u>\$4,218,422</u>
Per Active Participant (not in '000s)	\$15,534	\$14,296	\$14,591	\$12,725	\$31,703	\$24,943	\$22,547	\$22,571	\$14,071	\$17,573	\$186,455	\$13,650	\$16,179
Annual OPEB Cost (AOC) for YE 6/30/15													
ARC for FYE 6/30/15	\$645,856	\$1,895,139	\$2,540,995	\$142,140	\$228,260	\$10,027	\$891,830	\$901,857	\$366,368	\$29,312	\$2,051	\$7,439	\$4,218,422
Interest on NOO at 6/30/14	147,140	467,670	614,810	44,885	57,303	2,640	289,868	292,508	106,845	4,709	403	2,508	1,123,971
Adjustment to the ARC	<u>(121,430)</u>	<u>(385,953)</u>	<u>(507,383)</u>	<u>(37,042)</u>	<u>(47,290)</u>	<u>(2,178)</u>	<u>(239,219)</u>	<u>(241,397)</u>	<u>(88,176)</u>	<u>(3,886)</u>	<u>(882)</u>	<u>(2,070)</u>	<u>(928,126)</u>
Total AOC for FYE 6/30/15	<u>\$671,566</u>	<u>\$1,976,856</u>	<u>\$2,648,422</u>	<u>\$149,983</u>	<u>\$238,273</u>	<u>\$10,489</u>	<u>\$942,479</u>	<u>\$952,968</u>	<u>\$385,037</u>	<u>\$30,135</u>	<u>\$1,572</u>	<u>\$7,877</u>	<u>\$4,414,267</u>
Expected Net Employer Contribution for FYE 6/30/15	<u>\$427,149</u>	<u>\$1,278,829</u>	<u>\$1,705,978</u>	<u>\$84,310</u>	<u>\$147,313</u>	<u>\$6,293</u>	<u>\$559,322</u>	<u>\$565,615</u>	<u>\$227,999</u>	<u>\$23,200</u>	<u>\$1,468</u>	<u>\$3,962</u>	<u>\$2,759,845</u>
Actual Net OPEB Obligation at 6/30/14	<u>\$2,534,717</u>	<u>\$8,056,324</u>	<u>\$10,591,041</u>	<u>\$773,216</u>	<u>\$987,127</u>	<u>\$45,474</u>	<u>\$4,993,424</u>	<u>\$5,038,898</u>	<u>\$1,840,574</u>	<u>\$81,122</u>	<u>\$6,935</u>	<u>\$43,209</u>	<u>\$19,362,122</u>
Expected Net OPEB Obligation at 6/30/15	<u>\$2,779,134</u>	<u>\$8,754,351</u>	<u>\$11,533,485</u>	<u>\$838,889</u>	<u>\$1,078,087</u>	<u>\$49,670</u>	<u>\$5,376,581</u>	<u>\$5,426,251</u>	<u>\$1,997,612</u>	<u>\$88,057</u>	<u>\$7,039</u>	<u>\$47,124</u>	<u>\$21,016,544</u>

^a Based on results of actuarial valuation as of June 30, 2013, projected to June 30, 2014, using a discount rate of 5.805 percent and a wage inflation assumption of 3.00 percent. For the Legislative Retirement System, the UAAL is amortized over a ten-year period as a level dollar amount.

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2014 (\$ in '000s)													
PARTIAL FUNDING POLICY (5.765%)													
DEVELOPMENT OF FYE 2016 ANNUAL REQUIRED CONTRIBUTION													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
ARC based on 6/30/14 valuation													
Normal Cost	\$305,896	\$745,390	\$1,051,286	\$70,873	\$77,518	\$4,358	\$365,583	\$369,941	\$187,184	\$8,848	\$57	\$3,515	\$1,769,222
Amortization of UAAL	<u>387,380</u>	<u>1,286,935</u>	<u>1,674,315</u>	<u>82,667</u>	<u>147,249</u>	<u>6,235</u>	<u>581,383</u>	<u>587,618</u>	<u>215,369</u>	<u>18,441</u>	<u>1,810</u>	<u>4,262</u>	<u>2,731,731</u>
Total ARC	\$693,276	\$2,032,325	\$2,725,601	\$153,540	\$224,767	\$10,593	\$946,966	\$957,559	\$402,553	\$27,289	\$1,867	\$7,777	\$4,500,953
ARC for YE 6/30/16													
Normal Cost	\$315,073	\$767,752	\$1,082,825	\$72,999	\$79,844	\$4,489	\$376,550	\$381,039	\$192,800	\$9,114	\$59	\$3,620	\$1,822,300
Amortization of UAAL	<u>399,001</u>	<u>1,325,543</u>	<u>1,724,544</u>	<u>85,147</u>	<u>151,666</u>	<u>6,422</u>	<u>598,824</u>	<u>605,246</u>	<u>221,830</u>	<u>18,994</u>	<u>1,864</u>	<u>4,390</u>	<u>2,813,681</u>
Total ARC for YE 6/30/16^a	\$714,074	\$2,093,295	\$2,807,369	\$158,146	\$231,510	\$10,911	\$975,374	\$986,285	\$414,630	\$28,108	\$1,923	\$8,010	\$4,635,981

^a For fiscal year-end June 30, 2016, the ARC will be based on the results of the actuarial valuation as of June 30 2014, projected to the following year. That is, the ARC will increase by the wage inflation assumption of 3.00 percent.

VALUATION RESULTS

Accounting Information

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

The effective date for the GASB OPEB Accounting Standard for the State of California is the fiscal year beginning July 1, 2007. The following section shows the Required Supplementary information. Please note that some numbers on the following five tables containing accounting information may not add due to rounding.

Annual Required Contribution (ARC)

The ARC is the portion of the present value of the total cost of postemployment benefits earned to date by employees that is assigned to a given fiscal year using an accepted actuarial cost allocation method.

GASB No. 45 sets the method for determining the State's annual postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows the State's fiscal year-end 2010 through 2015 Annual Required Contribution (ARC) based on a 30-year open amortization of the Unfunded Actuarial Accrued Liability as a level percent of pay.

Pay-As-You-Go Funding (\$ in billions)			
Fiscal Year Ending June 30	Normal Cost	Unfunded Actuarial Accrued Liability Amortization	Annual Required Contribution (ARC)
	(a)	(b)	(a) + (b)
2010	\$1.94	\$1.97	\$3.91
2011	\$2.06	\$2.11	\$4.17
2012	\$2.25	\$2.44	\$4.69
2013	\$2.38	\$2.53	\$4.92
2014	\$2.43	\$2.60	\$5.03
2015	\$2.45	\$2.63	\$5.08

Annual OPEB Cost (AOC)

The initial OPEB Obligation was set to zero as of the transition date of July 1, 2007; therefore, the Annual OPEB Cost equals the Annual Required Contribution for FY 2008. For FY 2009 and beyond, the annual OPEB Cost will reflect an adjustment for the beginning of year Net OPEB Obligation.

Pay-As-You-Go Funding (\$ in billions)				
Fiscal Year Ending June 30	Annual Required Contribution (ARC)	Interest on Net OPEB Obligation	Adjustment to Annual Required Contribution	Total Annual OPEB Cost (AOC)
	(a)	(b)	(c)	(a) + (b) + (c)
2010	\$3.91	\$0.21	-\$0.19	\$3.93
2011	\$4.17	\$0.33	-\$0.29	\$4.21
2012	\$4.69	\$0.44	-\$0.39	\$4.74
2013	\$4.92	\$0.58	-\$0.51	\$4.99
2014	\$5.03	\$0.73	-\$0.64	\$5.12
2015	\$5.08	\$0.82	-\$0.77	\$5.13

Annual OPEB Cost Summary

Pay-As-You-Go Funding (\$ in billions)				
Fiscal Year Ending June 30	Annual OPEB Cost	Net Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$3.93	\$1.37	35%	\$7.25
2011	\$4.21	\$1.58	38%	\$9.88
2012	\$4.74	\$1.72	36%	\$12.91
2013	\$4.99	\$1.78	36%	\$16.12
2014	\$5.12	\$1.87	37%	\$19.36
2015 ¹	\$5.13	\$1.87	36%	\$22.63

¹Net employer contribution and Net OPEB Obligation estimated for fiscal year-ending June 30, 2015.

Projected Net OPEB Obligation (NOO):

Based on the Annual OPEB Cost developed on the previous page, the following is the projected Net OPEB Obligation (NOO):

Pay-As-You-Go Funding (\$ in billions)				
Fiscal Year Ending June 30	Net OPEB Obligation (NOO) Beginning of Year (a)	Total Annual OPEB Cost (AOC) (b)	Net Employer Contribution (c)	Net OPEB Obligation (NOO) End of Year ¹ (a) + (b) - (c)
2010	\$4.69	\$3.93	\$1.37	\$7.25
2011	\$7.25	\$4.21	\$1.58	\$9.88
2012	\$9.88	\$4.74	\$1.72	\$12.91
2013	\$12.91	\$4.99	\$1.78	\$16.12
2014	\$16.12	\$5.12	\$1.87	\$19.36
2015 ¹	\$19.36	\$5.13	\$1.87	\$22.63

¹Net employer contribution and Net OPEB Obligation estimated for fiscal year-ending June 30, 2015.

Required Supplementary Information

Below is the projected schedule of funding progress as of the valuation date:

Pay-As-You-Go Funding (\$ in billions)						
Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Payroll	UAAL as a % of Payroll
June 30, 2009	\$0.00	\$51.82	\$51.82	0.00%	\$18.45	281%
June 30, 2010	\$0.00	\$59.91	\$59.91	0.00%	\$17.54	341%
June 30, 2011	\$0.00	\$62.14	\$62.14	0.00%	\$18.01	345%
June 30, 2012	\$0.01	\$63.85	\$63.84	0.01%	\$18.71	341%
June 30, 2013	\$0.01	\$64.58	\$64.57	0.01%	\$18.06	358%
June 30, 2014	\$0.04	\$71.81	\$71.77	0.06%	\$19.25	373%

SECTION C

SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS

SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS

Other Postemployment Benefits Sponsored by the State of California

As of January 1, 2014

Eligibility Requirements

Health Care 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.

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.

Eligibility Exceptions

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

- Children age 26 or older;
- Children who have been married;
- Children's spouses;
- Disabled children over age 26 who were never enrolled or who were deleted from coverage;
- Former spouses;
- Grandparents;
- Parents;
- Children of former spouses; and
- Other relatives.

Death of a Member

Upon the death of an employee while in State service, the law requires the State employer to continue to pay contributions for the survivor's or registered domestic partner's health coverage for up to 120 days after the employee's death. Surviving family members will be eligible for health benefit coverage, provided they:

- Qualify for a monthly survivor check from CalPERS; and
- Were an eligible dependent at the time of the member's death and continue to qualify as eligible family members.

Surviving family members who do not meet the above qualifications may be eligible for COBRA.

Children of registered domestic partners may have continued eligibility if they were enrolled as family members at the time of a member's death.

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.

Dental Benefits

Retired Employees

Retired State employees are eligible to continue enrollment in the State's Dental Program if they retire within 120 days after their date of separation and they receive a retirement allowance from CalPERS. Retired employees who did not continue dental coverage into retirement may enroll during the annual dental open enrollment period.

California Highway Patrol employees who retired on or after September 30, 1992, may elect to continue enrollment in the Union-sponsored indemnity plan or change to a State-sponsored dental plan. Under the terms of the Memorandum of Understanding between the California Highway Patrol and the California Department of Human Resource, this is an irrevocable one-time election.

California Correctional Peace Officers Association members who are enrolled in a Union-sponsored dental plan must change to a State-sponsored dental plan and retire within 120 days after their date of separation to continue their dental coverage.

Survivors of an Employee or Annuitant

Departments are required to continue paying the State Contributions for a covered employee's spouse, domestic partner and other eligible family members for up to 120 days following an employee's death. During this time, CalPERS will determine if the spouse or other family members are eligible for continuation coverage.

After 120 days, the surviving family member(s) will be eligible to continue their current coverage if they meet all of the following criteria:

- They were enrolled as dependents at the time of death;
- They qualify for a monthly survivor allowance from CalPERS; and
- They continue to qualify as family members.

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

2014 State Contribution

The 2014 maximum State Contribution amounts are as follows:

2014 State Contribution		
One-Party Coverage	Two-Party Coverage	Family Coverage
\$642.00	\$1,218.00	\$1,559.00

If the State retiree is signed up for a CalPERS sponsored Medicare plan and the monthly State contribution is more than the plan's monthly premium, CalPERS will credit the retiree the difference between the two amounts, up to the amount of the Part B premium.

The actual amount of the contribution varies based on the employee type as described below.

State and CSU Employees (includes Misc., Industrial, CHP, POFF and Safety)

For State Employees, the amount the State contributes toward health coverage depends on whether the employee is vested. The contribution amount is determined by a formula set by law and the date the employee was first employed by the State.

- **First hired by the State prior to January 1, 1985:** The member is eligible to receive 100 percent of the State's contribution toward the member's health premium upon the member's retirement.
- **First hired by the State between January 1, 1985 and January 1, 1989:** The member is subject to vesting requirements, as follows:
 - 10 years of service: Member is fully vested and qualifies for 100 percent of the State's contribution toward his or her health premium.
 - Less than 10 years of service: Members are eligible for health coverage; however, the State's contribution will be reduced by 10 percent for each year of service under 10 years. The member will be responsible for the additional cost.

- **First hired by the State after January 1, 1989:** The percentage of the State’s contribution is based on completed years of State credited service as follows:

Years of Credited Service	State Contribution
Less than 10	0%
10	50%
10 to 19	50%, plus 5% added for each year after the 10th year
20 or more	100%

For California State University Employees and members on disability, the above vesting requirements do not apply and the employer pays 100 percent of the contribution provided the member is eligible for healthcare benefits at retirement.

State Contribution – Judge Elected or Appointed Prior to November 9, 1994

State Contributions are based upon the vesting schedule applicable to State Employees.

If a member is eligible for a deferred retirement benefit, the member must pay the full plan premium until he or she starts receiving benefits in order to have the State's contribution paid once he or she begins receiving retirement payments.

State Contribution – Judge Elected or Appointed After November 9, 1994

To continue CalPERS health coverage into retirement if the member is under age 65, the member must:

- Have at least five years of service credit;
- Elect health coverage within 60 days after leaving judicial office; and
- Assume the cost of both the member’s share and the employer's share of the monthly premiums - plus an additional 2 percent of the premium, until age 65.

When the member reaches 65, the member is entitled to have his or her employer's share of the premium. The State Contribution is determined by the member’s years of service credit:

Years of Service	State Contribution
At Least 5 Years	50%
Between 5 to 10 Years	Pro-rated between 50% to 100%
10 or More Years	100%

State Contribution – Legislator, Constitutional Officer, or Statutory Officer

Members of the CalPERS Health Program can continue coverage into retirement. Members must have at least eight years of service for health benefits vesting. If the member took office after January 1, 1985, he or she will need 10 years to receive the full State Contribution towards the monthly premium.

HMO Basic Plans	
Kaiser Permanente, Blue Shield Access+ HMO, Blue Shield EPO, Blue Shield NetValue HMO, Anthem Blue Cross, Health Net, Sharp Performance Plus, and UnitedHealthcare Alliance HMO	
	Copay and/or Benefit Limit
Hospital	
Inpatient	No Charge
Outpatient	
Kaiser Permanente	\$15/Visit
Other HMO Plans	No Charge
Physician Services	
Office Visits	\$15/visit
<i>More than one copay may apply during an office visit if multiple services are provided.</i>	
Outpatient Visits	
Kaiser Permanente	\$15 outpatient surgery
Other HMO Plans	\$15/visit
Urgent Care Visits	\$15/visit
Allergy Testing/Treatment	
Kaiser Permanente	No Charge for Injections \$15/Visit (Testing Visits)
Other HMO Plans	No Charge
Vision Exam (Refraction)	
Kaiser Permanente	No Charge
Other HMO Plans	No Charge
<i>For age 17 and under. Varies by plan for age 18 and over and may be limited to one visit per calendar year.</i>	
Hearing Exam/Screening	No Charge
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	
Kaiser Permanente	No Charge for Inpatient, \$15 for Outpatient
Other HMO Plans	No Charge
Ambulance Service	
<i>Air/ground ambulance service</i>	No Charge
Emergency Services	
<i>Waived if admitted as an inpatient or for observations as an outpatient</i>	\$50/Visit
Prescription Drug Benefit	
Other HMO Plans	\$5/Generic
Retail Pharmacy	\$20/Formulary Brand Name
<i>(up to 30-day supply)</i>	\$50/Non-Formulary <i>(\$40 if medical necessity approved)</i>
Mail Order Program	\$10/generic
<i>(up to 90-day supply)</i>	\$40/formulary brand name
<i>\$1,000 maximum copayment per person per calendar year.</i>	\$100/non-formulary <i>(\$70 if medical necessity approved)</i>
Maximum Calendar Year Deductible	\$1,000
Kaiser Permanente	
<i>Up to 30-day supply</i>	\$5/generic / \$20/brand name
<i>31-100-day supply</i>	\$10/generic / \$40/brand name

PERS Select, PERS Choice, & PERSCare PPO Basic Plans						
	PERS Select		PERS Choice		PERSCare	
	Member's Cost		Member's Cost		Member's Cost	
	PPO	Non-PPO	PPO	Non-PPO	PPO	Non-PPO
Calendar Year Deductible						
Individual	\$500		\$500		\$500	
Family	\$1,000		\$1,000		\$1,000	
Maximum Calendar Year Copay						
Individual	\$3,000	None	\$3,000	None	\$2,000	None
Family	\$6,000	None	\$6,000	None	\$4,000	None
Lifetime Maximum Benefit - Per Individual	None		None		None	
Hospital						
Per Admission Deductible	None	None	None	None	\$250	\$250
Inpatient and Outpatient	20-30% (depending on the hospital)	40%	20%	40%	10%	40%
Physician Services						
Office Visits	\$20 copay	40%	\$20 copay	40%	\$20 copay	40%
Urgent Care Visits	\$20 copay	40%	\$20 copay	40%	\$20 copay	40%
Outpatient Visits	\$20 copay	40%	\$20 copay	40%	\$20 copay	40%
Inpatient Visits	20%	40%	20%	40%	10%	40%
Allergy Testing/Treatment	20%	40%	20%	40%	10%	40%
Ambulance Service	20%	20%	20%	20%	20%	20%
Emergency Services (\$50 deductible per visit for covered ER charges - waived if admitted to Hospital)	20%	20%	20%	20%	10%	10%
Prescription Drug Benefit	Generic	Preferred Brand	Generic	Preferred Brand	Non-Preferred Brand	
Applies to PERS Select, PERS Choice, and PERSCare						
Retail Pharmacy* <i>*short-term use</i>	\$5	\$20	\$5	\$20	\$50 <i>(\$40 if partial waiver of Non-Preferred Brand copayment approved)</i>	
Retail Pharmacy Maintenance Medications filled after 2nd Fill** <i>** A maintenance medication taken longer than 60 days for chronic conditions.</i>	\$10	\$40	\$10	\$40	\$100 <i>(\$70 if partial waiver of Non-Preferred Brand copayment approved)</i>	
Mail Service Pharmacy <i>A \$1,000 maximum copayment per person per calendar year applies</i>	\$10	\$40	\$10	\$40	\$100 <i>(\$70 if partial waiver of Non-Preferred Brand copayment approved)</i>	

HMO Medicare Plans		
Kaiser Permanente, Blue Shield Access+ HMO, Blue Shield EPO, Blue Shield NetValue HMO, Anthem Blue Cross, Health Net, Sharp Performance, and UnitedHealthcare		
	Medicare Managed Care Plan (Medicare Advantage)	Supplement to Original Medicare Plans
	Kaiser Permanente	Other HMO Plans
	Copay and/or Benefit Limit	Copay and/or Benefit Limit
Hospital		
Inpatient	No Charge	No Charge
Outpatient	\$10/visit	No Charge
Physician Services		
Office Visits	\$10/visit	\$10/visit
Urgent Care Visits	\$25/visit	\$25/visit
Allergy Testing/Treatment	\$3/visit (injection visits) \$10/visit (testing visits)	\$10/visit (injection visits) \$10/visit (testing visits)
Vision Exam (Refraction)	\$10/visit	\$10 (limited to one visit)
Hearing Exam/Screening	\$10/visit	\$10/visit (HealthNet, United Healthcare) No Charge for other HMO plans
Inpatient Hospital Visits	No Charge	No Charge
Surgery/Anesthesia	No Charge for Inpatient \$10/visit for Outpatient	No Charge
Ambulance Service		
<i>Air/ground ambulance service</i>	No Charge	No Charge
Emergency Services		
<i>Waived if admitted as an inpatient or for observations as an outpatient</i>	\$50/visit	\$50/visit
Prescription Drug Benefit		
Retail Pharmacy <i>(up to 30-day supply) (Does not apply to Kaiser)</i>	\$5/generic \$20/brand name <i>Kaiser Permanente provides up to 100-day supply (or a 30-day supply for certain drugs) through its pharmacies or mail order program.</i>	\$5/generic <i>(Anthem Blue Cross \$0 select generics)</i> \$20/formulary brand name \$50/non-formulary <i>(\$40 if medical necessity approved)</i>
Mail Order Program <i>\$1,000 maximum copayment per person per calendar year (up to 90-day supply) (Does not apply to Kaiser)</i>	\$10/generic \$40/brand name <i>Kaiser Permanente provides up to 100-day supply (or a 30-day supply for certain drugs) through its pharmacies or mail order program.</i>	\$10/generic \$40/formulary brand name \$100/non-formulary <i>(\$70 if medical necessity approved)</i>

PERS Select, PERS Choice, & PERSCare Supplement Plans					
PPO Supplement to Original Medicare Plans					
	PERS Select		PERS Choice		PERSCare
	PPO		PPO		PPO
Calendar Year Deductible	None Plan pays Medicare Parts A and B deductible		None Plan pays Medicare Parts A and B deductible		None Plan pays Medicare Parts A and B deductible
Lifetime Maximum Benefit - Per Individual	None		None		None
Hospital Inpatient and Outpatient	No Charge		No Charge		No Charge
Physician Services Physician Office Visits Inpatient Visits Outpatient Visits Urgent Care Visits Allergy Testing/Treatment	No Charge No Charge No Charge No Charge No Charge		No Charge No Charge No Charge No Charge No Charge		No Charge No Charge No Charge No Charge No Charge
Ambulance Service	No Charge		No Charge		No Charge
Emergency Services	No Charge		No Charge		No Charge
Prescription Drug Benefit	Generic	Preferred Brand	Generic	Preferred Brand	Non-Preferred Brand
Applies to PERS Select, PERS Choice, and PERSCare Retail Pharmacy* <i>*short-term use</i>	\$5	\$20	\$5	\$20	\$50 <i>(\$40 if partial waiver of Non-Preferred Brand copayment approved)</i>
Retail Pharmacy Maintenance Medications filled after 2nd Fill** <i>** A maintenance medication taken longer than 60 days for chronic conditions.</i>	\$10	\$40	\$10	\$40	\$100 <i>(\$70 if partial waiver of Non-Preferred Brand copayment approved)</i>
Mail Service Pharmacy <i>A \$1,000 maximum copayment per person per calendar year applies</i>	\$10	\$40	\$10	\$40	\$100 <i>(\$70 if partial waiver of Non-Preferred Brand copayment approved)</i>

CCPOA Association Plans (HMO)	
Basic Plan – Regions North and South	
	Copay and/or Benefit Limit
Hospital	
Inpatient	\$100 per admission
Outpatient Facility/Surgery Services	\$50/visit
Physician Services	
Office Visits	\$15/visit
Outpatient Visits	\$15/visit
Urgent Care Visits	\$15/visit
Allergy Testing/Treatment	No Charge
Vision Exam (Refraction)	\$15
Hearing Exam/Screening	No Charge
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	No Charge
Ambulance Service	No Charge
Emergency Services	
<i>Waived if hospitalized or kept for observation – if admitted, \$100 per admission fee will apply</i>	\$75/visit
Prescription Drug Benefit	
Deductible	\$50 calendar year brand name drug deductible per member, not to exceed \$150 per family
Retail Pharmacy	\$10/generic \$25/formulary brand name \$50/non-formulary
Mail Order Program <i>(up to 90-day supply)</i>	\$20/generic \$50/formulary brand name \$100/non-formulary

CCPOA Association Plans (HMO) Medicare Plan Supplement to Original Medicare	
	Copay and/or Benefit Limit
Hospital	
Inpatient	\$100 per admission
Outpatient Surgery	No Charge
Physician Services	
Office Visits	\$10/visit
Outpatient Visits	\$10/visit
Urgent Care Visits	\$10/visit
Allergy Testing/Treatment	No Charge
Vision Exam (Refraction)	\$10/visit
Hearing Exam/Screening	No Charge
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	No Charge
Ambulance Service	No Charge
Emergency Services	No Charge
Prescription Drug Benefit	
Retail Pharmacy	\$5/generic \$20/formulary brand name \$35/non-formulary
Mail Order Program <i>(up to 90-day supply)</i>	\$10/generic \$40/formulary brand name \$70/non-formulary

CAHP & PORAC Association Plans (PPOs)				
Basic Plans				
	CAHP Copay/Limits		PORAC Copay/Limits	
	PPO	Non-PPO	PPO	Non-PPO
Calendar Year Deductible				
Individual	None	None	\$300	\$600
Family	None	None	\$900	\$1,800
Out-of-Pocket Maximum	\$2,000/member \$4,000/family	None None	\$3,000/individual or \$6,000/family (Combined PPO and non-PPO)	
Lifetime Maximum	None	None	None	None
Hospital				
Inpatient	10%	Varies. See EOC	10%	10% (varies)
Outpatient	\$50 (exceptions may apply)	\$50 (exceptions may apply)	10%	10% (varies)
Physician Services				
Office Visits	\$15	40%	\$20	10%
Outpatient Visits	10%	40%	10%	10%
Urgent Care Visits	\$15	40%	10%	10%
Allergy Testing/Treatment	10%	40%	10%	10%
Vision Exam (Refraction)	Not Covered	Not Covered	Not Covered	Not Covered
Hearing Exam/Screening	10%	40%	20%	20%
Inpatient Hospital Visits	10%	40%	10%	10% (varies)
Surgery/Anesthesia	10%	40%	10%	10% (varies)
Ambulance Service	20%	20%	20%	20%
Emergency Services				
Emergency	\$50* + 10%	\$50* + 10%	10%	10%
Non-Emergency	\$50* + 10%	\$50* + 40%	50%	50%
<i>* If admitted to the hospital on an inpatient basis, the \$50 copayment will be reduced to \$25</i>				
Prescription Drug Benefit				
Retail Pharmacy	\$5/generic	\$5/generic	\$10/generic	\$10/generic
CAHP (up to 30-day supply)	\$20/single source	\$20/single source	\$25/ formulary brand name	\$25/ formulary brand name
PORAC (up to 34-day supply or 100 pills/units, whichever is more)	\$25/multi-source	\$25/multi-source	\$45/non-formulary brand	\$45/non-formulary brand
Retail Pharmacy	\$10/generic	\$10/generic	Not Applicable	Not Applicable
Maintenance Medications filled after 2nd Fill**	\$40/single source	\$40/single source		
CAHP (up to 30-day supply)	\$50/multi-source	\$50/multi-source		
<i>** A maintenance medication taken longer than 60 days for chronic conditions.</i>				
Mail Order Program	\$10/generic	\$10/generic	\$20/generic	Not Applicable
CAHP (up to 90-day supply)	\$40/single source	\$40/single source	\$40/ formulary brand name	
PORAC (up to 90-day supply or 100 pills/units, whichever is more)	\$50/multi-source	\$50/multi-source	\$75/non-formulary brand	

CAHP & PORAC Association Plans (PPOs)		
PPO Supplement to Original Medicare		
	CAHP Copays/Limits	PORAC Copays/Limits
Deductibles	\$100/individual \$200/family <i>(Major Medical deductible)</i>	\$100/individual \$200/family <i>(Major Medical deductible)</i>
Hospital		
Inpatient	No Charge	No charge. Plan pays after Medicare benefits are exhausted. See EOC
Outpatient	No Charge	No Charge
Physician Services		
Office Visits	\$10/visit	No Charge
Outpatient Visits	No Charge	No Charge
Urgent Care Visits	No Charge	No Charge
Allergy Testing/Treatment	No Charge	No Charge
Vision Exam (Refraction)	Not Covered	20%; one exam/ calendar year
Hearing Exam/Screening	No Charge	20%; \$50/exam in connection with hearing aid purchase
Inpatient Hospital Visits	No Charge	No Charge
Surgery/Anesthesia	No Charge	No Charge
Ambulance Service	No Charge if Medicare approved 20% if not Medicare approved	No Charge
Emergency Services	No Charge if Medicare approved 20% if not Medicare approved	No Charge
Prescription Drug Benefit		
Retail Pharmacy <i>(up to 30-day supply)</i> <i>CAHP: Diabetic supplies paid under medical benefit.</i> <i>PORAC: \$50 deductible/member for retail only</i>	\$5/generic \$20/single source \$25/multi-source	\$10/generic \$25/formulary brand name \$45/non-formulary brand name
Retail Pharmacy Maintenance Medications filled after 2nd fill** <i>CAHP (up to 30-day supply)</i> ** A maintenance medication taken longer than 60 days for chronic conditions.	\$10/generic \$40/single source \$50/multi-source	
Mail Order Program <i>(90-day supply)</i>	\$10/generic \$40/single source \$50/multi-source	\$20/generic \$40/single source \$75/multi-source

State Sponsored Dental Plan			
BENEFITS	INDEMNITY	PREFERRED PROVIDER OPTION	PREPAID
Type of Plan	Fee-for-Service Plan, this plan provides reimbursement for services rendered	Benefits are maximized when services are received from a participating plan dentist	Plan pays enrollee's chosen dentist a monthly fixed rate to provide services as needed
Dental Providers	Any licensed dentist, with maximum benefits for using a Delta-affiliated dentist	Any licensed dentist, with maximum benefits for using a dentist within the plan's provider network	Must select a dental provider affiliated with the enrollee's prepaid plan
Orthodontic Providers	May use any orthodontist, with maximum benefits for using a Delta-affiliated dentist	To receive maximum benefit, must use orthodontist who is affiliated with the Plan	Must use orthodontist affiliated with the enrollee's prepaid plan
Changing Providers	May change dentists at any time	May change at any time to another dentist affiliated with the Plan	May change to another dentist affiliated with the plan, with prior approval
Deductibles	<u>Basic</u> : \$50 per person, up to \$150 annual maximum per family <u>Enhanced</u> : \$25 per person, up to \$100 annual maximum per family	\$25 each, up to \$100 annual maximum per family, for Plan dentist; \$75 each, up to \$200 annual maximum per family, for non-Plan dentist	No deductible
Co-payments	Pay the difference between billed charges and plan payments	Pay the difference between billed charges and plan payments	Generally no charge, with minimal co-payments for certain covered procedures
Plan Payments	Delta dentist: payment based on fees filed with Delta; non-Delta dentist: payment not to exceed Delta's set fee schedule	Plan dentist: payment based on fee agreement with Delta; non-Plan dentist: payment not to exceed Delta's set fee schedule	For procedures with co-payment, may require payment at time of treatment
Maximum Benefits per Calendar Year	Basic: \$2,000 for employee/retiree, \$1,000 per dependent; Enhanced: \$2,000 for employee and each eligible dependent	\$2,000 per employee, \$2,000 per eligible dependent	No maximum
Maximum Lifetime Implant Benefit	Not a covered benefit	\$2,500 for each employee/retiree and dependent, if using a Plan provider	Not a covered benefit

California State University Sponsored Dental Plan		
BENEFITS	Delta Dental	DeltaCare
Diagnostic and preventive benefits	75%, no deductible	No Cost
Basic benefits	75%, deductible applies	No Cost
Crowns, inlays, inlays and cast restoration benefits	50%, deductible applies	\$50.00
Prosthodontic Benefits	50%, deductible applies	\$50.00
Orthodontic benefits	50%, maximum lifetime of \$1,000	\$1,400, Covers up to 24 months of active treatment
Annual Deductibles	\$50 Per Person/\$150 Per Family	No Deductible
Annual Maximum	\$1,500 Per Person	No Maximum

2014 Health Plan Rates			
Basic Plans - HMO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Anthem Select HMO	\$622.53	\$1,245.06	\$1,618.58
Anthem Traditional HMO	\$670.36	\$1,340.72	\$1,742.94
Blue Shield	\$655.02	\$1,310.04	\$1,703.05
Blue Shield NetValue	\$575.78	\$1,151.56	\$1,497.03
Health Net Salud y Más	\$515.87	\$1,031.74	\$1,341.26
Health Net SmartCare	\$632.38	\$1,264.76	\$1,644.19
Kaiser	\$661.61	\$1,323.22	\$1,720.19
Kaiser Out-of-State - Colorado	\$917.20	\$1,834.40	\$2,384.72
Kaiser Out-of-State - Georgia	\$917.20	\$1,834.40	\$2,384.72
Kaiser Out-of-State - Hawaii	\$917.20	\$1,834.40	\$2,384.72
Kaiser Out-of-State - Mid-Atlantic	\$917.20	\$1,834.40	\$2,384.72
Kaiser Out-of-State - Northwest	\$917.20	\$1,834.40	\$2,384.72
Kaiser Out-of-State - Ohio	\$917.20	\$1,834.40	\$2,384.72
Sharp	\$562.14	\$1,124.28	\$1,461.56
UnitedHealthcare	\$652.08	\$1,304.16	\$1,695.41
Basic Plans - PPO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Anthem EPO	\$670.36	\$1,340.72	\$1,742.94
PERS Choice	\$643.53	\$1,287.06	\$1,673.18
PERS Select	\$594.95	\$1,189.90	\$1,546.87
PERSCare	\$698.73	\$1,397.46	\$1,816.70
Basic Association Plans			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
CAHP	\$602.71	\$1,170.07	\$1,530.35
CCPOA - North	\$647.19	\$1,296.69	\$1,750.51
CCPOA - South	\$533.75	\$1,069.76	\$1,445.37
PORAC	\$634.00	\$1,186.00	\$1,507.00

2014 Health Plan Rates			
Supplement/Managed Medicare Plans - HMO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Anthem Blue Cross	\$341.12	\$682.24	\$1,023.36
Blue Shield	\$298.21	\$596.42	\$894.63
Blue Shield NetValue	\$298.21	\$596.42	\$894.63
Health Net	\$261.24	\$522.48	\$783.72
Kaiser	\$294.97	\$589.94	\$884.91
Kaiser Out-of-State - Colorado	\$388.65	\$777.30	\$1,165.95
Kaiser Out-of-State - Georgia	\$388.65	\$777.30	\$1,165.95
Kaiser Out-of-State - Hawaii	\$388.65	\$777.30	\$1,165.95
Kaiser Out-of-State - Mid-Atlantic	\$388.65	\$777.30	\$1,165.95
Kaiser Out-of-State - Northwest	\$388.65	\$777.30	\$1,165.95
Kaiser Out-of-State - Ohio	\$388.65	\$777.30	\$1,165.95
Sharp	\$306.51	\$613.02	\$919.53
UnitedHealthcare	\$193.33	\$386.66	\$579.99
Supplement/Managed Medicare Plans - PPO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
PERS Choice	\$325.74	\$651.48	\$977.22
PERS Select	\$325.74	\$651.48	\$977.22
PERSCare	\$370.43	\$740.86	\$1,111.29
Supplement/Managed Medicare Association Plans			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
CAHP	\$354.00	\$655.00	\$832.00
CCPOA - North	\$379.25	\$759.74	\$1,136.00
CCPOA - South	\$379.25	\$759.74	\$1,136.00
PORAC	\$418.00	\$833.00	\$1,331.00

2014 Health Plan Rates			
Combination Plans (Employee in Basic Plan) - HMO			
Plan	1 Dep. In Supplement/ Managed Medicare	2+ Dep. In Supplement/ Managed Medicare	1 Dep. In Basic 1+ Dep. In Supplement/ Managed Medicare
Anthem Select	\$963.65	\$1,304.77	\$1,337.17
Anthem Traditional	\$1,011.48	\$1,352.60	\$1,413.70
Anthem EPO	\$1,011.48	\$1,352.60	\$1,413.70
Blue Shield	\$953.23	\$1,251.44	\$1,346.24
Blue Shield NetValue	\$873.99	\$1,172.20	\$1,219.46
Health Net Salud y Más	\$777.11	\$1,038.35	\$1,086.63
Health Net SmartCare	\$893.62	\$1,154.86	\$1,273.05
Kaiser	\$956.58	\$1,251.55	\$1,353.55
Kaiser Out-of-State - Colorado	\$1,305.85	\$1,694.50	\$1,856.17
Kaiser Out-of-State - Georgia	\$1,305.85	\$1,694.50	\$1,856.17
Kaiser Out-of-State - Hawaii	\$1,305.85	\$1,694.50	\$1,856.17
Kaiser Out-of-State - Mid-Atlantic	\$1,305.85	\$1,694.50	\$1,856.17
Kaiser Out-of-State - Northwest	\$1,305.85	\$1,694.50	\$1,856.17
Kaiser Out-of-State - Ohio	\$1,305.85	\$1,694.50	\$1,856.17
Sharp	\$868.65	\$1,175.16	\$1,205.93
UnitedHealthcare	\$845.41	\$1,038.74	\$1,236.66
Combination Plans (Employee in Basic Plan) - PPO			
Plan	1 Dep. In Supplement/ Managed Medicare	2+ Dep. In Supplement/ Managed Medicare	1 Dep. In Basic 1+ Dep. In Supplement/ Managed Medicare
PERS Choice	\$950.76	\$1,257.99	\$1,336.88
PERS Select	\$902.18	\$1,209.41	\$1,259.15
PERSCare	\$1,026.09	\$1,353.45	\$1,445.33
Combination (Employee in Basic Plan) Association Plans			
Plan	1 Dep. In Supplement/ Managed Medicare	2+ Dep. In Supplement/ Managed Medicare	1 Dep. In Basic 1+ Dep. In Supplement/ Managed Medicare
CAHP	\$918.71	\$1,104.71	\$1,278.99
CCPOA - North	\$1,056.30	\$1,460.85	\$1,510.12
CCPOA - South	\$942.86	\$1,347.41	\$1,318.47
PORAC	\$1,028.00	\$1,501.00	\$1,349.00

2014 Health Plan Rates			
Combination Plans (Employee in Supplement/Managed Medicare Plan) - HMO			
Plan	1 Dep. In Basic	2+ Dep. In Basic	1 Dep. In Supplement/ Managed Medicare 1+ Dep. In Basic
Anthem Select	\$963.65	\$1,337.17	\$1,055.76
Anthem Traditional	\$1,011.48	\$1,413.70	\$1,084.46
Anthem EPO	\$1,011.48	\$1,413.70	\$1,084.46
Blue Shield	\$953.23	\$1,346.24	\$989.43
Blue Shield NetValue	\$873.99	\$1,219.46	\$941.89
Health Net Salud y Más	\$777.11	\$777.11	\$777.11
Health Net SmartCare	\$893.62	\$893.62	\$893.62
Kaiser	\$956.58	\$1,353.55	\$986.91
Kaiser Out-of-State - Colorado	\$1,305.85	\$1,856.17	\$1,327.62
Kaiser Out-of-State - Georgia	\$1,305.85	\$1,856.17	\$1,327.62
Kaiser Out-of-State - Hawaii	\$1,305.85	\$1,856.17	\$1,327.62
Kaiser Out-of-State - Mid-Atlantic	\$1,305.85	\$1,856.17	\$1,327.62
Kaiser Out-of-State - Northwest	\$1,305.85	\$1,856.17	\$1,327.62
Kaiser Out-of-State - Ohio	\$1,305.85	\$1,856.17	\$1,327.62
Sharp	\$868.65	\$868.65	\$868.65
UnitedHealthcare	\$845.41	\$845.41	\$845.41
Combination Plans (Employee in Supplement/Managed Medicare Plan) - PPO			
Plan	1 Dep. In Basic	2+ Dep. In Basic	1 Dep. In Supplement/ Managed Medicare 1+ Dep. In Basic
PERS Choice	\$950.76	\$1,336.88	\$1,000.58
PERS Select	\$902.18	\$1,259.15	\$971.43
PERSCare	\$1,026.09	\$1,445.33	\$1,073.96
Combination (Employee in Supplement/Managed Medicare Plan) Association Plans			
Plan	1 Dep. In Basic	2+ Dep. In Basic	1 Dep. In Supplement/ Managed Medicare 1+ Dep. In Basic
CAHP	\$939.36	\$1,299.64	\$1,048.28
CCPOA - North	\$1,057.04	\$1,510.86	\$1,270.47
CCPOA - South	\$943.55	\$1,319.16	\$1,192.26
PORAC	\$949.00	\$1,270.00	\$1,112.00

2014 Dental Plan Rates - State Sponsored Plans			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
DeltaPremier ¹	\$48.48	\$85.13	\$123.34
Delta PPO ²	\$44.24	\$86.64	\$130.69
Safeguard SOC Enhanced Plan ³	\$16.92	\$28.63	\$35.27
Delta Care USA ³	\$17.72	\$29.07	\$40.21
Premier Access ³	\$16.63	\$26.94	\$37.73
Western Dental ³	\$14.72	\$24.29	\$34.46

¹ Employee Share: 1 party - \$12.12 / 2 party - \$21.28 / 3 or more party - \$30.83

² Employee Share: 1 party - \$11.06 / 2 party - \$21.66 / 3 or more party - \$32.67

³ Provided at no cost to the retiree

2014 Dental Plan Rates - California State University⁴			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Delta Dental PPO - Basic	\$31.40	\$59.31	\$119.11
DeltaCare USA - Basic	\$20.31	\$33.50	\$49.54

⁴ Provided at no cost to the retiree

SECTION D

SUMMARY OF PARTICIPANT DATA

SUMMARY OF PARTICIPANT DATA

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

A. Members Currently in Retired Status

1. Counts of Current Retirees by Medical/Rx Benefit Plan and Valuation Group
2. Counts of Current Retirees by Medical/Rx Benefit Plan and Coverage
3. Distribution of Current Retirees by Medical/Rx Benefit Plan and Coverage Type
4. Distribution of Retiree Medical/Rx Benefit by Age
5. Counts of Current Retirees by Dental Benefit Plan and Valuation Group
6. Counts of Current Retirees by Dental Benefit Plan and Coverage
7. Distribution of Current Retirees by Dental Benefit Plan and Coverage Type
8. Distribution of Retiree Dental Benefit Plan by Age

The members in the schedules referenced above include only those retirees who have elected to receive health care coverage or dental coverage through the State of California.

B. Members Currently in Active Status

1. Distribution of All Active Members by Age and Service

C. All Members

1. Counts of Current Active Participants and Retirees by Valuation Group

California State Employees													
Counts of Current Retirees by Medical/Rx Benefit Plan and Valuation Group													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
	Anthem Blue Cross	24	84	108	14	-	1	57	58	18	1	-	-
Blue Shield	3,658	13,046	16,704	707	140	50	3,323	3,373	1,965	82	6	29	23,006
Blue Shield Net Value	921	5,330	6,251	357	52	23	1,674	1,697	772	13	1	17	9,160
Health Net	2	16	18	-	-	-	2	2	2	-	-	-	22
Kaiser	7,872	34,265	42,137	1,649	859	73	7,301	7,374	3,790	172	15	38	56,034
Kaiser Out-of-State	235	542	777	19	21	1	120	121	89	4	-	1	1,032
Sharp	11	16	27	1	1	-	15	15	3	-	-	-	47
UnitedHealthcare	15	124	139	3	1	-	5	5	5	-	-	-	153
PERS Choice	8,119	17,488	25,607	1,140	1,119	80	8,969	9,049	4,037	466	25	38	41,481
PERS Select	115	312	427	28	2	5	242	247	92	2	-	2	800
PERSCare	6,642	15,746	22,388	767	302	19	1,901	1,920	1,858	938	49	4	28,226
CAHP	-	7	7	1	4,776	-	2	2	1	-	-	-	4,787
CCPOA	-	3	3	10	-	-	2,547	2,547	14	-	-	-	2,574
PORAC	<u>1</u>	<u>18</u>	<u>19</u>	<u>4</u>	<u>7</u>	<u>40</u>	<u>237</u>	<u>277</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318</u>
Total	27,615	86,997	114,612	4,700	7,280	292	26,395	26,687	12,657	1,678	96	129	167,839

California State Employees								
Counts of Current Retirees by Medical/Rx Benefit Plan and Coverage								
	One Party		Two Party		Family		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
Anthem Blue Cross	25	54	44	37	28	11	97	102
Blue Shield	3,541	7,723	5,626	3,610	1,687	819	10,854	12,152
Blue Shield NetValue	1,128	2,312	2,085	1,728	1,235	672	4,448	4,712
Health Net	2	6	5	5	3	1	10	12
Kaiser	9,195	20,286	13,033	8,332	3,358	1,830	25,586	30,448
Kaiser Out-of-State	168	451	255	125	21	12	444	588
Sharp	3	8	14	11	10	1	27	20
UnitedHealthcare	24	53	24	24	20	8	68	85
PERS Choice	6,526	11,788	13,100	5,908	3,092	1,067	22,718	18,763
PERS Select	107	150	230	118	149	46	486	314
PERSCare	5,124	14,484	5,817	2,506	218	77	11,159	17,067
CAHP	569	739	2,412	92	872	103	3,853	934
CCPOA	327	329	809	186	783	140	1,919	655
PORAC	<u>31</u>	<u>39</u>	<u>151</u>	<u>21</u>	<u>62</u>	<u>14</u>	<u>244</u>	<u>74</u>
Total	26,770	58,422	43,605	22,703	11,538	4,801	81,913	85,926

California State Employees			
Distribution of Current Retirees by Medical/Rx Benefit Plan			
	Under 65	At Least 65	Total
Anthem Blue Cross	165	34	199
Blue Shield	8,582	14,424	23,006
Blue Shield Net Value	6,660	2,500	9,160
Health Net	18	4	22
Kaiser	19,073	36,961	56,034
Kaiser Out-of-State	185	847	1,032
Sharp	28	19	47
United Healthcare	104	49	153
PERS Choice	15,623	25,858	41,481
PERS Select	552	248	800
PERS Care	1,615	26,611	28,226
CAHP	1,975	2,812	4,787
CCPOA	2,075	499	2,574
PORAC	<u>172</u>	<u>146</u>	<u>318</u>
Total	56,827	111,012	167,839
Distribution of Current Retirees by Coverage Type			
	Under 65	At Least 65	Total
One Party	22,640	62,552	85,192
Two Party	21,368	44,940	66,308
Family	<u>12,819</u>	<u>3,520</u>	<u>16,339</u>
Total	56,827	111,012	167,839

California State Employees			
Distribution of Retiree Medical/Rx Benefit by Age			
Attained Age	Male	Female	Total
Under 40	300	258	558
40-44	442	370	812
45-49	653	853	1,506
50-54	4,432	3,078	7,510
55-59	8,276	9,018	17,294
60-64	13,629	15,518	29,147
65-69	17,671	16,746	34,417
70-74	13,595	12,586	26,181
75-79	9,676	9,331	19,007
80-84	6,954	7,526	14,480
85-89	4,230	6,075	10,305
90 & Over	2,055	4,567	6,622
Totals	81,913	85,926	167,839

California State Employees													
Counts of Current Retirees by Dental Benefit Plan and Valuation Group													
	State Miscellaneous						State Police Officers and Firefighters (POFF)						
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Delta Dental PPO	-	11,472	11,472	637	624	-	3,509	3,509	1,673	78	5	11	18,009
Delta Dental	26,118	70,419	96,537	3,846	3,552	268	21,442	21,710	9,887	1,597	91	107	137,327
Safeguard	-	2,694	2,694	124	136	-	622	622	511	6	1	-	4,094
DeltaCare USA	1,668	3,244	4,912	155	44	27	351	378	385	-	-	5	5,879
CAHP/Blue Cross	-	4	4	-	2,781	-	-	-	1	-	-	-	2,786
Premier Access	-	37	37	4	2	-	20	20	9	-	-	-	72
Western Dental	=	<u>79</u>	<u>79</u>	<u>6</u>	<u>1</u>	=	<u>96</u>	<u>96</u>	<u>22</u>	=	=	=	<u>204</u>
Total	27,786	87,949	115,735	4,772	7,140	295	26,040	26,335	12,488	1,681	97	123	168,371

California State Employees								
Counts of Current Retirees by Dental Benefit Plan and Coverage								
	One Party		Two Party		Family		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
Delta Dental PPO	2,466	5,789	5,091	2,576	1,472	615	9,029	8,980
Delta Dental	21,203	46,619	36,474	20,721	8,548	3,762	66,225	71,102
Safeguard	715	1,676	960	475	189	79	1,864	2,230
DeltaCare USA	1,013	2,406	1,255	807	221	177	2,489	3,390
CAHP/Blue Cross	294	198	1,526	68	624	76	2,444	342
Premier Access	11	19	22	7	9	4	42	30
Western Dental	<u>31</u>	<u>44</u>	<u>47</u>	<u>33</u>	<u>35</u>	<u>14</u>	<u>113</u>	<u>91</u>
Total	25,733	56,751	45,375	24,687	11,098	4,727	82,206	86,165

California State Employees			
Distribution of Current Retirees by Dental Benefit Plan			
	Under 65	At Least 65	Total
Delta Dental PPO	5,982	12,027	18,009
Delta Dental	44,832	92,495	137,327
Safeguard	986	3,108	4,094
DeltaCare USA	1,605	4,274	5,879
CAHP/Blue Cross	1,443	1,343	2,786
Premier Access	53	19	72
Western Dental	<u>151</u>	<u>53</u>	<u>204</u>
Total	55,052	113,319	168,371
Distribution of Current Retirees by Dental Benefit Coverage Type			
	Under 65	At Least 65	Total
One Party	21,394	61,090	82,484
Two Party	21,358	48,704	70,062
Family	<u>12,300</u>	<u>3,525</u>	<u>15,825</u>
Total	55,052	113,319	168,371

California State Employees			
Distribution of Retiree Dental Benefit Plan by Age			
Attained Age	Male	Female	Total
Under 40	257	213	470
40-44	390	329	719
45-49	608	770	1,378
50-54	4,140	2,849	6,989
55-59	7,957	8,742	16,699
60-64	13,410	15,387	28,797
65-69	17,935	17,061	34,996
70-74	13,858	12,831	26,689
75-79	9,948	9,509	19,457
80-84	7,194	7,768	14,962
85-89	4,364	6,144	10,508
90 & Over	2,145	4,562	6,707
Totals	82,206	86,165	168,371

California State Employees								
Distribution of All Active Members by Age and Service								
Attained Age	Years of Service to Valuation Date							Totals
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 Plus	No.
Under 20	42	-	-	-	-	-	-	42
20-24	3,039	14	-	-	-	-	-	3,053
25-29	12,270	3,846	15	-	-	-	-	16,131
30-34	11,454	12,950	2,011	30	-	-	-	26,445
35-39	8,103	11,802	7,982	2,159	23	-	-	30,069
40-44	6,366	10,138	8,676	7,730	1,989	44	-	34,943
45-49	5,425	8,256	7,702	7,976	6,725	2,479	50	38,613
50-54	5,024	7,330	6,781	6,974	6,708	6,552	2,083	41,452
55-59	4,023	6,026	5,773	5,590	5,018	4,900	4,666	35,996
60-64	2,523	4,216	4,000	3,576	2,946	2,787	2,801	22,849
65 & Over	1,361	2,303	2,150	1,831	1,309	1,031	1,152	11,137
Totals	59,630	66,881	45,090	35,866	24,718	17,793	10,752	260,730

California State Employees													
Counts of Current Active Participants and Retirees by Valuation Group													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
	Active Participants	41,577	132,566	174,143	11,170	7,200	402	39,555	39,957	26,037	1,667	11	545
Retired Participants	<u>27,615</u>	<u>86,997</u>	<u>114,612</u>	<u>4,700</u>	<u>7,280</u>	<u>292</u>	<u>26,395</u>	<u>26,687</u>	<u>12,657</u>	<u>1,678</u>	<u>96</u>	<u>129</u>	<u>167,839</u>
Total Participants	69,192	219,563	288,755	15,870	14,480	694	65,950	66,644	38,694	3,345	107	674	428,569

SECTION E

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

The actuarial assumptions used in the valuation are shown in this Section. Assumptions that are specific to certain groups (i.e., State Miscellaneous, State Industrial, CHP, POFF, State Safety, JRS and LRS) are discussed under the Demographic and Certain Economic Assumptions subsection and were based on the most recent pension valuation reports produced by CalPERS. Assumptions that are common to all types of members and unique to the OPEB valuation are shown in the Healthcare and Other Economic Assumptions subsection. The pension related assumptions were recently updated by CalPERS, and are recognized in the OPEB valuation as of June 30, 2014.

Actuarial Assumptions and Methods

An actuarial valuation measures the program's funded status and annual funding or accounting costs based on the assumptions and methods selected. The funded status compares assets to actuarial accrued liabilities, and the annual cost represents the normal cost plus an amortization of the unfunded actuarial accrued liability.

In the valuation process, certain economic and demographic assumptions are made relating to the projection of benefits and the timing and duration of benefits. The stream of expected projected benefits is discounted to a present value as of the valuation date. The present value is then spread over past service (actuarial accrued liability), and service for the current year (normal cost) based on the chosen cost method.

The Actuarial Valuation of the State's OPEB is similar to the Actuarial Valuations performed for the State's pension plans. The demographic assumptions (rates of retirement, termination, disability and mortality etc.) used in this OPEB Valuation were identical to those used in the most recent CalPERS Valuations with the exception of JRS I, JRS II and LRS. The assumptions for JRS I, JRS II and LRS will be updated in the OPEB valuation report as of June 30, 2015. The demographic assumptions are disclosed in Section F of this report:

In addition, the cost method (entry-age normal) is identical to the one used in the most recent CalPERS Valuation for the State Plan of the California Public Employees' Retirement System.

The discount rate selected was 4.25 percent for the pay-as-you-go policy, 5.765 percent for the partially funded policy and 7.28 percent for the fully funded policy. A discount rate of 7.28 percent can be supported provided the investment and contribution policy of the qualifying retiree healthcare benefit trust is consistent with Strategy 1 as disclosed in the CalPERS OPEB assumption model for reports based on data measured after August 15, 2012. Other assumptions and methods unique to OPEB valuations are consistent with CalPERS OPEB assumption parameters, with the exception of the dental trend rates, as follows:

- Healthcare trend – Select and ultimate healthcare trend rates were developed separately for the PPO, prescription drug, HMO and dental plans. For the medical and drug plans, the select and ultimate trend rates were set at actual increases for 2015 and 8.00 percent in 2016 graded down over a five year period until an ultimate trend rate of 4.50 percent is reached in 2021. Based on a review of supporting documentation provided by CalPERS and a review of various publically available trend studies, the 2015 trend rate for the PPO per capita claims costs is assumed to be 7.00 percent. Beginning in the year 2025 for Future Retirees, the ultimate trend rate on the Employer's explicit contribution includes an additional 0.14 percent to account for the Excise Tax under Federal Healthcare Reform. For the dental plans, select and ultimate trend rates were set at 0.00 percent for 2015 and 4.50 percent for 2016 and beyond. The trend rates are net of any increases due to the potential dissipation of the EGWP-Wrap design savings in 2021. Effective trend for the Post-Medicare plans affected by the EGWP-Wrap design would be higher until the year 2021. These higher effective trend rates gradually eliminate the approximately 35 percent savings for PERSCare, 32 percent savings for PERS Choice and six percent savings for the HMO plans remaining as of June 30, 2014, due to the EGWP-Wrap plan design. The dental trend rate assumption deviated slightly from the CalPERS OPEB assumption parameters in the sense that trend was not assumed to be flat.
- Per capita claim costs – Claims costs were developed separately for the PPO, prescription drug, HMO and dental plans. Costs were developed for pre-Medicare and post-Medicare coverage at each respective age and gender, using overall average costs adjusted for morbidity.
- Other healthcare assumptions – The proportion of members selecting a particular plan and coverage at retirement was based on the most current census and enrollment data.

HEALTHCARE AND OTHER ECONOMIC ASSUMPTIONS

Discount Rate

Funding Policy	Discount Rate
Pay-as-you-go	4.250%
Partial funding	5.765%
Full funding	7.280%

Partial funding assumes the State contributes pay-as-you-go cost plus 50 percent of excess of full funding annual required contribution over the pay-as-you-go costs.

Assets for Bargaining Units Participating in the CERBT: Assets for Bargaining Units participating in the CERBT are allocated to the various pension groups based upon the accrued liability calculated as of June 30, 2013, in the GASB 43 valuations for each respective Bargain Unit.

Health Cost and Premium Increases – See table below

Year	Trend Assumption - Per Capita Costs						
	PPO Plans				HMO Plans		Dental
	Pre-Medicare		Post-Medicare		Pre-Medicare	Post-Medicare	
	Medical	Rx	Medical	Rx	Medical/Rx	Medical/Rx	
2015	7.00%	7.00%	7.00%	7.00%	3.88%*	5.92%*	
2016	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	4.50%
2017	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	4.50%
2018	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	4.50%
2019	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	4.50%
2020	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	4.50%
2021	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2022	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2023	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2024	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2025 and Beyond	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

Year	Trend Assumption - Premiums and Statutory Cap						
	PPO Plans		HMO Plans		Dental	Part B	Statutory Cap
	Pre-Medicare	Post-Medicare	Pre-Medicare	Post-Medicare			
	Medical/Rx	Medical/Rx	Medical/Rx	Medical/Rx			
2015	0.56%*	11.52%*	3.88%*	5.92%*			
2016	8.00%	8.00%	8.00%	8.00%	4.50%	4.50%	8.00%
2017	7.50%	7.50%	7.50%	7.50%	4.50%	4.50%	7.50%
2018	7.00%	7.00%	7.00%	7.00%	4.50%	4.50%	7.00%
2019	6.50%	6.50%	6.50%	6.50%	4.50%	4.50%	6.50%
2020	5.50%	5.50%	5.50%	5.50%	4.50%	4.50%	5.50%
2021	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2022	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2023	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2024	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2025 and Beyond	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%**

*Based on actual increases

**For Future Retirees, the ultimate trend rate on the Employer's explicit contribution includes an additional 0.14 percent to account for the Excise Tax under Federal Healthcare Reform.

All increases are assumed to occur 1/1 of each year beginning 1/1/2015.

The trend rates shown are net of any increases due to the potential dissipation of the EGWP-Wrap design changes in 2021. Effective trend for the Post-Medicare plans affected by the EGWP-Wrap design changes would be higher until the year 2021. These higher effective trend rates gradually eliminate the approximately 35 percent savings for PERSCare, 32 percent savings for PERS Choice and six percent savings for the HMO plans remaining as of June 30, 2014, due to the EGWP-Wrap plan design.

Participation percentage: Participation in the health benefits program is based upon the percent of premium that the employer contribution covers at retirement. We have assumed the following election percentages:

Employer Contribution Percentage of Premium	Participation Rate
25% or less	50%
25% to 50%	60%
50% to 75%	80%
75% to 90%	90%
90% to 100%	100%

If the member is currently enrolled in PERSCare, it is assumed that the participation rate would be 90 percent regardless of the percent of premium that the employer contribution covers. Furthermore, if the PERSCare member is disabled, we assumed 95 percent participation.

Percent of Disabilities Treated as Post-Medicare: 10 percent of Public Safety disabilities and 30 percent of all other disabilities are assumed to be eligible for Medicare.

Coverage and Continuance Assumptions: It is assumed that 40 percent of participating members will elect one-party coverage, while 60 percent will elect two-party coverage. Of the members electing two-party coverage, we assumed that 100 percent of surviving spouses would continue coverage after the death of the retiree.

Price Inflation: Price inflation is assumed to be 2.75 percent.

Wage inflation: Wage inflation is assumed to be 3.00 percent.

Aging Factors: In any given year, the cost of medical and prescription drug benefits vary by age. As the ages of employees and retirees in the covered population increase so does the cost of benefits. Morbidity tables are employed to develop Per Capita Costs at every relevant age. The following table represents the percent by which the cost of benefits for non-disabled lives at one age is higher than the cost for the previous age. For example, according to the following table, the cost of benefits for a male in the PPO plan age 55 is 3.28 percent higher than for one age 54. These percentages below are separate from the annual Medical Trend, which operates to increase costs independent of and in addition to the Aging Factors shown below. These factors, with the exception of the Pre-Medicare HMO rates, were developed using actual experience.

Aging factors for the PPO and prescription drug plans were based on gross claim and enrollment experience data broken out by five-year age intervals, for calendar years 2006, 2007 and 2008. Average gross costs were developed by gender at each age interval for each respective calendar year. These costs were weighted, smoothed and the average increase at each age was estimated using interpolation formulas. Aging factors for the pre-Medicare HMO were based on a proprietary rating manual. Factors for the post-Medicare HMO were assumed to be the same as the post-Medicare PPO.

Sample Ages	Cost Increase by Age							
	Medical - PPO		Rx - PPO		HMO - Pre-Medicare		HMO - Post-Medicare	
	Male	Female	Male	Female	Male	Female	Male	Female
45	4.30%	2.77%	3.03%	3.82%	5.34%	2.37%	0.00%	0.00%
50	3.71%	2.57%	2.50%	3.37%	5.47%	4.29%	0.00%	0.00%
55	3.28%	2.40%	1.86%	2.99%	5.07%	3.28%	0.00%	0.00%
60	2.94%	2.25%	1.36%	2.08%	4.12%	1.31%	0.00%	0.00%
65	2.67%	2.12%	0.95%	1.40%	0.00%	0.00%	2.67%	2.12%
70	2.45%	2.01%	0.60%	0.85%	0.00%	0.00%	2.45%	2.01%
75	2.27%	1.91%	0.27%	0.36%	0.00%	0.00%	2.27%	1.91%
80	2.12%	1.81%	0.00%	0.00%	0.00%	0.00%	2.12%	1.81%
85	1.99%	1.73%	0.00%	0.00%	0.00%	0.00%	1.99%	1.73%
90	1.87%	1.66%	0.00%	0.00%	0.00%	0.00%	1.87%	1.66%

Aged Per Capita Claim Cost – Medical and Prescription: The following tables represent the assumed per capita claims costs for sample ages. Costs were developed separately for PERS Choice, PERSCare and the HMO plans. Costs for the PERS Choice and PERSCare plans were based on paid and incurred experience and enrollment information for calendar years 2010 and 2011 for retired members and their dependents. Costs for the HMO plans were based on the aggregate premium and enrollment data for active and retired members. The per capita costs for PERS Select and the two association PPOs (CAHP and PORAC) were developed using costs for PERS Choice adjusted by the ratio of single premium for the association plan and PERS Choice. The average costs for each respective plan were age adjusted using the morbidity factors described above.

Adjustments for Disabled Members: Claims for disabled members were increased by 15 percent if not eligible for Medicare and 50 percent if eligible for Medicare.

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
Age	PERS Choice - PPO			
	Medical		Prescription	
	Male	Female	Male	Female
50	\$479.19	\$479.19	\$138.00	\$138.00
55	574.95	544.12	156.18	162.92
60	675.48	612.72	171.26	188.74
65	130.57	114.55	137.22	156.63
70	148.97	127.25	143.89	167.91
75	168.17	140.56	148.25	175.15
80	188.16	154.49	150.30	178.36

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
Age	PERSCare - PPO			
	Medical		Prescription	
	Male	Female	Male	Female
50	\$836.79	\$836.79	\$196.51	\$196.51
55	1,004.03	950.18	222.39	231.99
60	1,179.57	1,069.97	243.87	268.76
65	147.08	129.04	145.22	165.76
70	167.81	143.34	152.28	177.69
75	189.43	158.34	156.89	185.36
80	211.95	174.02	159.06	188.75

Costs for Retirees and Spouses (Expected Monthly Per Capita Costs)		
Age	All HMO Plans	
	Medical/Rx	
	Male	Female
50	\$564.59	\$625.17
55	735.95	757.14
60	946.04	898.61
65	254.48	239.95
70	290.34	266.54
75	327.76	294.42
80	366.72	323.59

Per Capita Claim Cost – Dental: The following table represents the assumed per capita claims costs for sample ages. Costs were developed separately for DPO/Indemnity and the Pre-Paid Plans, based on premium, claim and enrollment data for calendar 2012 and 2013. Dental costs do not vary by age or gender.

Costs for Retirees and Spouses				
Expected Monthly Per Capita Costs - Non CSU Retirees				
Age	Dental Plans			
	DPO/Indemnity		Pre-Paid Plans	
	First Person	Second Person	First Person	Second Person
50	\$49.66	\$37.60	\$18.98	\$11.48
55	49.66	37.60	18.98	11.48
60	49.66	37.60	18.98	11.48
65	49.66	37.60	18.98	11.48
70	49.66	37.60	18.98	11.48
75	49.66	37.60	18.98	11.48
80	49.66	37.60	18.98	11.48

Costs for Retirees and Spouses				
Expected Monthly Per Capita Costs - CSU Retirees				
Age	Dental Plans			
	DPO/Indemnity		Pre-Paid Plans	
	First Person	Second Person	First Person	Second Person
50	\$31.59	\$26.59	\$22.00	\$13.20
55	31.59	26.59	22.00	13.20
60	31.59	26.59	22.00	13.20
65	31.59	26.59	22.00	13.20
70	31.59	26.59	22.00	13.20
75	31.59	26.59	22.00	13.20
80	31.59	26.59	22.00	13.20

Medicare Part B Premiums: Members are assumed to pay \$104.90 in 2014. Our valuation assumes Social Security benefits increase at 3.0% per year and will be sufficient to cover projected increases in the Part B premium. Our valuation does not consider the member’s income when estimating Part B premiums.

Employer Group Waiver Plan: The per capita costs include approximately 35 percent savings for PERSCare, 32 percent savings for PERS Choice and six percent savings for the HMO plans remaining as of June 30, 2014, due to the EGWP-Wrap plan design. It was assumed that the EGWP savings would wear away ratably from 2014 to 2020, and the trend rates for post-Medicare prescription benefits were adjusted accordingly.

ACTUARIAL METHODS

The individual entry-age normal actuarial cost method of valuation was used in determining liabilities and normal cost. Differences between assumed experience and actual experience (“actuarial gains and/or losses”) become part of actuarial accrued liabilities.

In performing the valuation using the Entry Age Normal (EAN) method, the same salary scale was used in this valuation as was used in the pension valuations for these groups. This results in normal cost dollars that increase at the same rate as the normal cost dollars in the pension valuation for this same group of people. Normal cost for actives hired after the valuation date was not included in this valuation and was not factored into the Annual Required Contribution (ARC).

Unfunded actuarial accrued liabilities are amortized to produce payments (principal & interest), which are a level percent of payroll, over a 30-year period. For the Legislative Retirement System, unfunded actuarial accrued liabilities are amortized to produce level-dollar payments (principal & interest), over a 10-year period because it is a closed group.

Data Processing: The following data processing methods were required for the June 30, 2014, valuation:

- An assumption for active dental plan participation was made. Active members hired before July 1, 2012, were assumed to elect the same dental plan they elected as of the June 30, 2012, valuation. Members hired on or after July 1, 2012, were assumed to participate in the Delta Dental DPO.
- Participation in JRS I or JRS II was based upon date of hire.
- Incomplete data for the County Fair group was received from the individual DAA’s this year. As a result, if a member was included in the County Fair data last year and was not included in this year’s data received from the individual DAA’s but were in the CalPERS active member data, then they were valued as a member of the County Fair group. The impact of this assumption is immaterial to the overall results of the valuation.

SECTION F

PENSION-RELATED ASSUMPTIONS

PENSION-RELATED ASSUMPTIONS

Actuarial Assumptions Applicable to All Plans

**Other Postemployment Benefits
Sponsored by the
State of California**

As of June 30, 2014

ECONOMIC ASSUMPTIONS:

Salary Growth

Annual increases vary by entry age and service. See sample rates in table below.

Duration of Service	Annual Percentage Increase					
	State Miscellaneous Tier 1 & Tier 2			Industrial		
	Entry Age			Entry Age		
	20	30	40	20	30	40
0	9.50%	8.60%	7.30%	10.00%	10.00%	9.20%
3	7.50%	6.80%	5.60%	7.70%	7.40%	6.60%
5	6.90%	6.20%	5.20%	7.00%	6.60%	5.80%
10	5.20%	4.70%	4.10%	5.90%	5.30%	4.60%
15	4.30%	4.10%	3.70%	5.00%	4.70%	4.30%
20	3.80%	3.70%	3.50%	4.40%	4.30%	4.10%
25	3.50%	3.50%	3.40%	3.90%	3.90%	3.80%
30	3.50%	3.50%	3.40%	3.60%	3.60%	3.60%

Duration of Service	Safety			POFF		
	Entry Age			Entry Age		
	20	30	40	20	30	40
0	11.20%	10.00%	8.30%	17.30%	18.20%	18.60%
3	6.50%	6.10%	5.60%	9.70%	9.70%	9.40%
5	5.10%	4.90%	4.80%	7.50%	7.20%	6.70%
10	3.60%	3.60%	3.60%	4.20%	4.00%	3.70%
15	3.60%	3.50%	3.40%	4.20%	4.00%	3.70%
20	3.60%	3.50%	3.20%	4.20%	4.00%	3.70%
25	3.60%	3.50%	3.20%	4.20%	4.00%	3.70%
30	3.60%	3.50%	3.20%	4.20%	4.00%	3.70%

Duration of Service	CHP		
	Entry Age		
	20	30	40
0	8.00%	8.00%	8.00%
3	6.50%	6.50%	6.50%
5	5.40%	5.40%	5.40%
10	3.80%	3.80%	3.80%
15	3.80%	3.80%	3.80%
20	4.50%	4.50%	4.50%
25	4.50%	4.50%	4.50%
30	3.80%	3.80%	3.80%

Annual increases for members of JRS I, JRS II and LRS are assumed to be 3.00% for all years of service and ages.

Overall Payroll Growth

3.00% compounded annually (used in projecting the payroll over which the unfunded liability is amortized). For the State Miscellaneous plan, the payroll of the Second Tier members is assumed to decrease in accordance with actuarial assumptions based on the assumption that all new entrants will elect the State Miscellaneous First Tier. The payroll of the First Tier members is assumed to grow at the rate necessary for the overall payroll of the State Miscellaneous plan to grow annually at a rate of 3.00%.

Inflation

2.75% compounded annually.

DEMOGRAPHIC ASSUMPTIONS:

Marital Status

For active members, a percentage married upon Retirement is assumed according to the following table.

Plan	Percent Married
State Miscellaneous, Tier 1	85%
State Miscellaneous, Tier 2	85%
State Industrial	85%
State Safety	90%
State Police Officers/Firefighters	90%
California Highway Patrol	90%
JRS I	90%
JRS II	90%
LRS	90%

Age of Spouse

It is assumed that female spouses are 3 years younger than male spouses.

MISCELLANEOUS ASSUMPTIONS:

Tier 2 Members electing Tier 1 benefits

Tier 2 members of both the State Miscellaneous and State Industrial plans have the right to convert their Tier 2 service to Tier 1 service provided that they make up the shortfall in their accumulated contributions with interest. In this valuation, we have assumed that all Tier 2 members will elect to convert their Tier 2 service to Tier 1 service.

Plan Specific Actuarial Assumptions

STATE MISCELLANEOUS TIER 1 AND TIER 2

Service Retirement

Rates vary by age and service. See sample rates in table below.

Attained Age	Years of Service						
	5	10	15	20	25	30	35
50	0.002	0.008	0.014	0.017	0.024	0.036	0.041
52	0.002	0.009	0.013	0.016	0.024	0.036	0.040
54	0.007	0.022	0.031	0.038	0.052	0.068	0.077
56	0.014	0.039	0.057	0.070	0.090	0.113	0.129
58	0.017	0.048	0.069	0.086	0.108	0.134	0.155
60	0.027	0.074	0.105	0.130	0.163	0.198	0.228
62	0.050	0.136	0.192	0.238	0.295	0.353	0.406
65	0.054	0.146	0.207	0.255	0.316	0.378	0.435
70	0.047	0.128	0.181	0.223	0.278	0.332	0.383
75	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
0	0.1401	0.1340	0.1280	0.1220	0.1160
1	0.1249	0.1189	0.1128	0.1068	0.1009
2	0.1097	0.1037	0.0978	0.0917	0.0857
3	0.0945	0.0886	0.0826	0.0766	0.0705
4	0.0794	0.0734	0.0674	0.0614	0.0553
5	0.0104	0.0094	0.0084	0.0075	0.0065
10	0.0059	0.0051	0.0042	0.0034	0.0026
15	0.0040	0.0033	0.0025	0.0018	0.0011
20	0.0025	0.0019	0.0013	0.0007	0.0001
25	0.0013	0.0008	0.0003	0.0001	0.0001
30	0.0005	0.0001	0.0001	0.0001	0.0001

STATE MISCELLANEOUS TIER 1 AND TIER 2 (CONTINUED)

Terminations with Vested Deferred Benefits

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
5	0.0556	0.0504	0.0452	0.0400	0.0349
6	0.0526	0.0472	0.0420	0.0368	0.0316
7	0.0495	0.0441	0.0389	0.0335	0.0280
8	0.0463	0.0409	0.0356	0.0299	0.0245
9	0.0430	0.0374	0.0321	0.0264	0.0209
10	0.0395	0.0340	0.0283	0.0226	-
14	0.0349	0.0289	0.0229	0.0171	-
15	0.0335	0.0275	0.0216	-	-
19	0.0277	0.0213	0.0150	-	-
20	0.0262	0.0198	-	-	-
24	0.0196	0.0130	-	-	-
25	0.0179	-	-	-	-
29	0.0103	-	-	-	-
30	-	-	-	-	-

Non-Industrial Death

Rates vary by age and gender. See sample rates in table below.

Non-Industrial Disability

Rates vary by age and gender. See sample rates in table below.

Attained Age	Male		Female	
	Non-Industrial Death	Non-Industrial Disability	Non-Industrial Death	Non-Industrial Disability
20	0.00031	0.00019	0.00020	0.00039
25	0.00040	0.00019	0.00023	0.00039
30	0.00049	0.00019	0.00025	0.00046
35	0.00057	0.00036	0.00035	0.00096
40	0.00075	0.00103	0.00050	0.00206
45	0.00106	0.00204	0.00071	0.00346
50	0.00155	0.00274	0.00100	0.00415
55	0.00228	0.00238	0.00138	0.00325
60	0.00308	0.00200	0.00182	0.00256

STATE MISCELLANEOUS TIER 1 AND TIER 2 (CONTINUED)

Postretirement Mortality

Rates vary by age and gender for healthy benefit recipients, for non-industrially disabled (disability not job-related) retirees and for retirees who are industrially disabled (disability is job-related). See sample rates in table below.

<u>Age</u>	<u>Healthy Recipients</u>		<u>Non-Industrially Disabled (Not Job-Related)</u>		<u>Industrially Disabled (Job-Related)</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50	0.00501	0.00466	0.01680	0.01158	0.00501	0.00466
55	0.00599	0.00416	0.01973	0.01149	0.00599	0.00416
60	0.00710	0.00436	0.02289	0.01235	0.00754	0.00518
65	0.00829	0.00588	0.02451	0.01607	0.01122	0.00838
70	0.01305	0.00993	0.02875	0.02211	0.01635	0.01395
75	0.02205	0.01722	0.03990	0.03037	0.02834	0.02319
80	0.03899	0.02902	0.06083	0.04725	0.04899	0.03910
85	0.06969	0.05243	0.09731	0.07762	0.07679	0.06251
90	0.12974	0.09887	0.14804	0.12890	0.12974	0.09887
95	0.22444	0.18489	0.22444	0.21746	0.22444	0.18489
100	0.32536	0.30017	0.32536	0.30017	0.32536	0.30017

STATE INDUSTRIAL TIER 1 AND TIER 2

Service Retirement

Rates vary by age and service. See sample rates in table below.

Attained Age	Years of Service						
	5	10	15	20	25	30	35
50	0.006	0.011	0.018	0.026	0.031	0.033	0.039
52	0.006	0.011	0.018	0.026	0.031	0.033	0.039
54	0.016	0.029	0.045	0.067	0.079	0.084	0.100
56	0.020	0.037	0.057	0.085	0.100	0.106	0.126
58	0.025	0.046	0.071	0.106	0.125	0.132	0.157
60	0.038	0.070	0.109	0.162	0.191	0.202	0.240
62	0.076	0.139	0.217	0.321	0.378	0.402	0.476
65	0.083	0.153	0.238	0.353	0.416	0.442	0.523
70	0.089	0.163	0.254	0.376	0.444	0.472	0.559
75	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Termination with Refund

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
0	0.0829	0.0794	0.0758	0.0723	0.0687
1	0.0740	0.0704	0.0669	0.0633	0.0598
2	0.0650	0.0615	0.0579	0.0544	0.0507
3	0.0560	0.0524	0.0489	0.0453	0.0418
4	0.0470	0.0435	0.0399	0.0364	0.0328
5	0.0095	0.0086	0.0077	0.0068	0.0059
10	0.0054	0.0046	0.0039	0.0031	0.0024
15	0.0036	0.0030	0.0023	0.0017	0.0010
20	0.0023	0.0017	0.0011	0.0006	0.0002
25	0.0011	0.0007	0.0003	0.0002	0.0002
30	0.0005	0.0002	0.0002	0.0002	0.0002

STATE INDUSTRIAL TIER 1 AND TIER 2 (Continued)

Terminations with Vested Deferred Benefits

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
5	0.0496	0.0449	0.0405	0.0356	0.0311
6	0.0470	0.0421	0.0377	0.0328	0.0281
7	0.0442	0.0393	0.0346	0.0297	0.0250
8	0.0414	0.0365	0.0316	0.0267	0.0220
9	0.0384	0.0335	0.0285	0.0234	0.0187
10	0.0353	0.0302	0.0253	0.0201	-
14	0.0311	0.0257	0.0206	0.0152	-
15	0.0302	0.0246	0.0194	-	-
19	0.0248	0.0190	0.0136	-	-
20	0.0232	0.0176	-	-	-
24	0.0173	0.0115	-	-	-
25	0.0159	-	-	-	-
29	0.0091	-	-	-	-
30	-	-	-	-	-

Non-Industrial Death

Rates vary by age and gender. See sample rates in table below.

Industrial Disability, Non-Industrial Disability & Industrial Death

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial Death		Non-Industrial Disability	Industrial Disability	Industrial Death
	Male	Female	Male and Female	Male and Female	Male and Female
			Female	Female	Female
20	0.00031	0.00020	0.00043	0.00015	0.00003
25	0.00040	0.00023	0.00085	0.00015	0.00007
30	0.00049	0.00025	0.00136	0.00015	0.00010
35	0.00057	0.00035	0.00204	0.00029	0.00012
40	0.00075	0.00050	0.00315	0.00029	0.00013
45	0.00106	0.00071	0.00468	0.00044	0.00014
50	0.00155	0.00100	0.00621	0.00044	0.00015
55	0.00228	0.00138	0.00791	0.00058	0.00016
60	0.00308	0.00182	0.00918	0.00058	0.00017

STATE INDUSTRIAL TIER 1 AND TIER 2 (Continued)

Postretirement Mortality

Rates vary by age and gender for healthy benefit recipients, for non-industrially disabled (disability not job-related) retirees and for retirees who are industrially disabled (disability is job-related). See sample rates in table below.

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00501	0.00466	0.01680	0.01158	0.00501	0.00466
55	0.00599	0.00416	0.01973	0.01149	0.00599	0.00416
60	0.00710	0.00436	0.02289	0.01235	0.00754	0.00518
65	0.00829	0.00588	0.02451	0.01607	0.01122	0.00838
70	0.01305	0.00993	0.02875	0.02211	0.01635	0.01395
75	0.02205	0.01722	0.03990	0.03037	0.02834	0.02319
80	0.03899	0.02902	0.06083	0.04725	0.04899	0.03910
85	0.06969	0.05243	0.09731	0.07762	0.07679	0.06251
90	0.12974	0.09887	0.14804	0.12890	0.12974	0.09887
95	0.22444	0.18489	0.22444	0.21746	0.22444	0.18489
100	0.32536	0.30017	0.32536	0.30017	0.32536	0.30017

STATE SAFETY

Service Retirement

Rates vary by age and service. See sample rates in table below.

Attained Age	Years of Service						
	5	10	15	20	25	30	35
50	0.005	0.018	0.018	0.035	0.039	0.067	0.075
52	0.003	0.009	0.014	0.032	0.034	0.061	0.067
54	0.017	0.032	0.046	0.067	0.075	0.113	0.131
56	0.031	0.056	0.077	0.105	0.117	0.167	0.195
58	0.035	0.062	0.087	0.115	0.128	0.182	0.212
60	0.042	0.073	0.102	0.134	0.148	0.208	0.243
62	0.067	0.115	0.158	0.199	0.222	0.305	0.357
65	0.086	0.148	0.203	0.252	0.281	0.382	0.448
70	0.083	0.143	0.196	0.244	0.271	0.368	0.433
75	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Termination with Refund

Rates vary by service. See sample rates in table below.

Service										
0	1	2	3	4	5	10	15	20	25	30
0.1313	0.0967	0.0622	0.0461	0.0374	0.0080	0.0058	0.0039	0.0025	0.0013	0.0009

Terminations with Vested Deferred Benefits

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
5	0.0369	0.0369	0.0369	0.0369	0.0369
6	0.0363	0.0363	0.0363	0.0363	0.0363
7	0.0357	0.0357	0.0357	0.0357	0.0357
8	0.0349	0.0349	0.0349	0.0349	0.0349
9	0.0341	0.0341	0.0341	0.0341	0.0341
10	0.0333	0.0333	0.0333	0.0333	-
14	0.0296	0.0296	0.0296	0.0296	-
15	0.0286	0.0286	0.0286	-	-
19	0.0239	0.0239	0.0239	-	-
20	0.0226	0.0226	-	-	-
24	0.0173	0.0173	-	-	-
25	0.0159	-	-	-	-
29	0.0131	-	-	-	-
30	0.0000	-	-	-	-

STATE SAFETY (Continued)

Non-Industrial Death

Rates vary by age and gender. See sample rates in table below.

Industrial Disability, Non-Industrial Disability & Industrial Death

Rates vary by age. See sample rates in table below.

<u>Attained Age</u>	<u>Non-Industrial Death</u>		<u>Non-Industrial Disability</u>	<u>Industrial Disability</u>	<u>Industrial Death</u>
	<u>Male</u>	<u>Female</u>	<u>Male and Female</u>	<u>Male and Female</u>	<u>Male and Female</u>
20	0.00031	0.00020	0.00036	0.00002	0.00003
25	0.00040	0.00023	0.00054	0.00076	0.00007
30	0.00049	0.00025	0.00063	0.00170	0.00010
35	0.00057	0.00035	0.00072	0.00264	0.00012
40	0.00075	0.00050	0.00072	0.00360	0.00013
45	0.00106	0.00071	0.00108	0.00457	0.00014
50	0.00155	0.00100	0.00216	0.00557	0.00015
55	0.00228	0.00138	0.00306	0.00658	0.00016
60	0.00308	0.00182	0.00387	0.00762	0.00017

Postretirement Mortality

Rates vary by age and gender for healthy benefit recipients and for non-industrially disabled (disability not job-related) retirees. Rates vary by age for retirees who are industrially disabled (disability is job-related). See sample rates in table below.

<u>Age</u>	<u>Healthy Recipients</u>		<u>Non-Industrially Disabled (Not Job-Related)</u>		<u>Industrially Disabled (Job-Related)</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50	0.00501	0.00466	0.01680	0.01158	0.00501	0.00466
55	0.00599	0.00416	0.01973	0.01149	0.00599	0.00416
60	0.00710	0.00436	0.02289	0.01235	0.00754	0.00518
65	0.00829	0.00588	0.02451	0.01607	0.01122	0.00838
70	0.01305	0.00993	0.02875	0.02211	0.01635	0.01395
75	0.02205	0.01722	0.03990	0.03037	0.02834	0.02319
80	0.03899	0.02902	0.06083	0.04725	0.04899	0.03910
85	0.06969	0.05243	0.09731	0.07762	0.07679	0.06251
90	0.12974	0.09887	0.14804	0.12890	0.12974	0.09887
95	0.22444	0.18489	0.22444	0.21746	0.22444	0.18489
100	0.32536	0.30017	0.32536	0.30017	0.32536	0.30017

STATE PEACE OFFICERS AND FIREFIGHTERS

Service Retirement

Rates vary by age and service. See sample rates in table below.

Attained Age	Years of Service						
	5	10	15	20	25	30	35
50	0.016	0.052	0.070	0.091	0.146	0.213	0.247
52	0.014	0.044	0.060	0.080	0.125	0.180	0.209
54	0.019	0.064	0.087	0.110	0.176	0.261	0.302
56	0.022	0.074	0.100	0.126	0.203	0.301	0.350
58	0.025	0.081	0.109	0.137	0.220	0.328	0.381
60	0.026	0.088	0.120	0.149	0.241	0.360	0.418
62	0.030	0.099	0.133	0.164	0.267	0.401	0.467
65	0.030	0.103	0.139	0.171	0.277	0.418	0.486
70	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Termination with Refund

Rates vary by service. See sample rates in table below.

Service										
0	1	2	3	4	5	10	15	20	25	30
0.1217	0.0779	0.0431	0.0353	0.0275	0.0056	0.0039	0.0025	0.0015	0.0006	0.0003

Terminations with Vested Deferred Benefits

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
5	0.0173	0.0173	0.0173	0.0173	0.0173
6	0.0168	0.0168	0.0168	0.0168	0.0168
7	0.0164	0.0164	0.0164	0.0164	0.0164
8	0.0159	0.0159	0.0159	0.0159	0.0159
9	0.0155	0.0155	0.0155	0.0155	0.0155
10	0.0149	0.0149	0.0149	0.0149	-
14	0.0127	0.0127	0.0127	0.0127	-
15	0.0120	0.0120	0.0120	-	-
19	0.0093	0.0093	0.0093	-	-
20	0.0086	0.0086	-	-	-
24	0.0055	0.0055	-	-	-
25	0.0046	-	-	-	-
29	0.0030	-	-	-	-
30	0.0000	-	-	-	-

STATE PEACE OFFICERS AND FIREFIGHTERS (Continued)

Non-Industrial Death

Rates vary by age and gender. See sample rates in table below.

Industrial Disability, Non-Industrial Disability & Industrial Death

Rates vary by age. See sample rates in table below.

<u>Attained Age</u>	<u>Non-Industrial Death</u>		<u>Non-Industrial Disability</u>	<u>Industrial Disability</u>	<u>Industrial Death</u>
	<u>Male</u>	<u>Female</u>	<u>Male and Female</u>	<u>Male and Female</u>	<u>Male and Female</u>
20	0.00031	0.00020	0.00010	0.00039	0.00003
25	0.00040	0.00023	0.00010	0.00087	0.00007
30	0.00049	0.00025	0.00010	0.00167	0.00010
35	0.00057	0.00035	0.00020	0.00289	0.00012
40	0.00075	0.00050	0.00040	0.00464	0.00013
45	0.00106	0.00071	0.00060	0.00706	0.00014
50	0.00155	0.00100	0.00098	0.01027	0.00015
55	0.00228	0.00138	0.00143	0.01442	0.00016
60	0.00308	0.00182	0.00188	0.01966	0.00017

Postretirement Mortality

Rates vary by age and gender for healthy benefit recipients, for non-industrially disabled (disability not job-related) retirees and for retirees who are industrially disabled (disability is job-related). See sample rates in table below.

<u>Age</u>	<u>Healthy Recipients</u>		<u>Non-Industrially Disabled (Not Job-Related)</u>		<u>Industrially Disabled (Job-Related)</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
50	0.00501	0.00466	0.01680	0.01158	0.00501	0.00466
55	0.00599	0.00416	0.01973	0.01149	0.00599	0.00416
60	0.00710	0.00436	0.02289	0.01235	0.00754	0.00518
65	0.00829	0.00588	0.02451	0.01607	0.01122	0.00838
70	0.01305	0.00993	0.02875	0.02211	0.01635	0.01395
75	0.02205	0.01722	0.03990	0.03037	0.02834	0.02319
80	0.03899	0.02902	0.06083	0.04725	0.04899	0.03910
85	0.06969	0.05243	0.09731	0.07762	0.07679	0.06251
90	0.12974	0.09887	0.14804	0.12890	0.12974	0.09887
95	0.22444	0.18489	0.22444	0.21746	0.22444	0.18489
100	0.32536	0.30017	0.32536	0.30017	0.32536	0.30017

CALIFORNIA HIGHWAY PATROL

Service Retirement

Rates vary by age and service. See sample rates in table below.

Attained Age	Years of Service						
	5	10	15	20	25	30	35
50	0.050	0.050	0.050	0.050	0.149	0.283	0.326
52	0.040	0.040	0.040	0.040	0.121	0.230	0.265
54	0.051	0.051	0.051	0.051	0.153	0.290	0.334
56	0.051	0.051	0.051	0.051	0.152	0.288	0.332
58	0.049	0.049	0.049	0.049	0.146	0.277	0.319
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Termination with Refund

Rates vary by service. See sample rates in table below.

Service										
0	1	2	3	4	5	10	15	20	25	30
0.0129	0.0124	0.0121	0.0116	0.0113	0.0040	0.0029	0.0019	0.0011	0.0006	0.0003

Terminations with Vested Deferred Benefits

Rates vary by entry age and service. See sample rates in table below.

Duration of Service	Entry Age				
	20	25	30	35	40
5	0.0093	0.0093	0.0093	0.0093	0.0093
6	0.0091	0.0091	0.0091	0.0091	0.0091
7	0.0090	0.0090	0.0090	0.0090	0.0090
8	0.0087	0.0087	0.0087	0.0087	0.0087
9	0.0085	0.0085	0.0085	0.0085	0.0085
10	0.0082	0.0082	0.0082	0.0082	-
14	0.0071	0.0071	0.0071	0.0071	-
15	0.0070	0.0070	0.0070	-	-
19	0.0056	0.0056	0.0056	-	-
20	0.0053	0.0053	-	-	-
24	0.0038	0.0038	-	-	-
25	0.0033	-	-	-	-
29	0.0026	-	-	-	-
30	0.0000	-	-	-	-

CALIFORNIA HIGHWAY PATROL (Continued)

Non-Industrial Death & Industrial Death

Rates vary by age and gender. See sample rates in table below.

Industrial Disability & Non-Industrial Disability

Rates vary by age. See sample rates in table below.

Attained Age	Non-Industrial Death		Non-Industrial Disability	Industrial Disability	Industrial Death
	Male	Female	Male and Female	Male and Female	Male and Female
20	0.00031	0.00020	0.00014	0.00026	0.00003
25	0.00040	0.00023	0.00014	0.00058	0.00007
30	0.00049	0.00025	0.00014	0.00114	0.00010
35	0.00057	0.00035	0.00014	0.00204	0.00012
40	0.00075	0.00050	0.00014	0.00337	0.00013
45	0.00106	0.00071	0.00028	0.00527	0.00014
50	0.00155	0.00100	0.00028	0.02023	0.00015
55	0.00228	0.00138	0.00028	0.09011	0.00016
60	0.00308	0.00182	0.00028	0.34051	0.00017

Postretirement Mortality

Rates vary by age and gender for healthy benefit recipients, for non-industrially disabled (disability not job-related) retirees and for retirees who are industrially disabled (disability is job-related). See sample rates in table below.

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00501	0.00466	0.01680	0.01158	0.00501	0.00466
55	0.00599	0.00416	0.01973	0.01149	0.00599	0.00416
60	0.00710	0.00436	0.02289	0.01235	0.00754	0.00518
65	0.00829	0.00588	0.02451	0.01607	0.01122	0.00838
70	0.01305	0.00993	0.02875	0.02211	0.01635	0.01395
75	0.02205	0.01722	0.03990	0.03037	0.02834	0.02319
80	0.03899	0.02902	0.06083	0.04725	0.04899	0.03910
85	0.06969	0.05243	0.09731	0.07762	0.07679	0.06251
90	0.12974	0.09887	0.14804	0.12890	0.12974	0.09887
95	0.22444	0.18489	0.22444	0.21746	0.22444	0.18489
100	0.32536	0.30017	0.32536	0.30017	0.32536	0.30017

JUDGES' RETIREMENT SYSTEM I

Probability of Termination from Active Service

	Non-vested		Vested
<u>Age</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Termination</u>
40	0.0120	0.0008	0.0030
45	0.0100	0.0014	0.0043
50	0.0120	0.0024	0.0085
55	0.0150	0.0041	0.0150
60	0.0000	0.0064	0.0180
65	0.0000	0.0092	0.0250
70	0.0000	0.0000	0.0000

Probability of Service Retirement

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
60	0.3000	66	0.4000
61	0.6000	67	0.4000
62	0.7000	68	0.4500
63	0.6000	69	0.5000
64	0.6000	70	0.7500
65	0.5000	71-79	0.5000
		80	1.0000

Mortality

Mortality for active and retired members and beneficiaries is in accordance with the 1994 Group Annuity Mortality Table. Mortality for disabled members is based on the PBGC Mortality Table for disabled lives not receiving Social Security Benefits to age 64, and on the 1994 Group Annuity Mortality Table at age 65 and after.

JUDGES' RETIREMENT SYSTEM II

Service Retirement

Rates vary by age and service.

Service Greater than 20 years

<u>Age</u>	<u>Rate</u>
Below 65	0.0000
65	0.7500
66	0.4000
67	0.3000
68	0.3500
69	0.5000
70*	1.0000

* For Judges age 70 and older with 5 or more years of service the probability of retirement is 100%.

Withdrawal

Rates vary by age and service.

Entry						
<u>Age</u>	<u>0-1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5 or more</u>
35	0.0053	0.0053	0.0053	0.0053	0.0053	0.0023
40	0.0045	0.0045	0.0045	0.0045	0.0045	0.0038
45	0.0038	0.0038	0.0038	0.0038	0.0038	0.0075
50	0.0038	0.0038	0.0038	0.0038	0.0038	0.0090
55	0.0000	0.0000	0.0000	0.0000	0.0000	0.0083
60	0.0000	0.0000	0.0000	0.0000	0.0000	0.0075

Pre-Retirement Non-Industrial Mortality

Rates vary by age.

JUDGES' RETIREMENT SYSTEM II (Continued)

Non-Industrial Disability

Rates vary by age.

<u>Attained Age</u>	<u>Pre- Retirement Mortality</u>	<u>Non- Industrial Disability</u>
35	0.0008	0.0000
40	0.0012	0.0010
45	0.0016	0.0019
50	0.0026	0.0032
55	0.0037	0.0054
60	0.0058	0.0085
65	0.0106	0.0122
70	0.0000	0.0000

Industrial Mortality

Rates are zero.

Industrial Disability

Rates are zero.

Post-Retirement Mortality: 1994 GAM no setback

Rates vary by age and sex.

<u>Age</u>	<u>Healthy Male</u>	<u>Healthy Female</u>	<u>Non- Industrial Disability</u>	<u>Age</u>	<u>Healthy Male</u>	<u>Healthy Female</u>	<u>Non- Industrial Disability</u>
35	0.0009	0.0005	0.0200	75	0.0372	0.0227	0.0910
40	0.0011	0.0007	0.0248	80	0.0620	0.0394	0.1135
45	0.0016	0.0010	0.0293	85	0.0972	0.0677	0.1535
50	0.0026	0.0014	0.0360	90	0.1529	0.1163	0.2135
55	0.0044	0.0023	0.0452	95	0.2336	0.1862	0.2937
60	0.0080	0.0044	0.0578	100	0.3172	0.2764	0.3977
65	0.0145	0.0086	0.0691	105	0.4072	0.3836	0.8000
70	0.0237	0.0137	0.0786	110	0.4868	0.4823	1.0000

Legislators' Retirement System

Probabilities of Decrement for Active Participants

Vested Withdrawal – Sample vested withdrawal rates are shown in the following table.

Death – 1994 Group Annuity Mortality Table for Males and Females, published and recorded in the Transactions of the Society of Actuaries.

Disability – Sample disability rates are shown in the following table.

Non-vested Withdrawal – Sample rates for non-vested withdrawal are shown in the following table.

For each 1,000 active participants at the age shown, the following number will leave within a year on account of:

<u>Age</u>	<u>Vested Withdrawal</u>	<u>Disability</u>	<u>Non-Vested Withdrawal</u>
30	50.0	0.1	25.0
35	50.0	0.2	25.0
40	50.0	0.7	20.0
41	50.0	0.8	15.0
42	40.0	0.9	15.0
43	40.0	1.0	15.0
44	40.0	1.1	15.0
45	40.0	1.2	15.0
46	40.0	1.3	15.0
47	40.0	1.5	15.0
48	40.0	1.7	15.0
49	40.0	1.9	15.0
50	40.0	2.2	15.0
51	40.0	2.5	5.0
52	40.0	3.0	0.0
53	40.0	3.6	0.0
54	40.0	4.3	0.0
55	40.0	5.0	0.0
56	40.0	5.8	0.0
57	40.0	6.7	0.0
58	40.0	7.5	0.0
59	40.0	8.4	0.0
60	40.0	9.5	0.0

Legislators' Retirement System (Continued)

Mortality Rates After Leaving Active Participation

For healthy lives and disabled lives – 1994 Group Annuity Mortality Table, published and recorded in the Transactions of the Society of Actuaries.

APPENDIX
GLOSSARY

GLOSSARY

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2014

Accrued Service. The service credited under the plan, which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability (AAL). The difference between (i) the actuarial present value of future plan benefits; and (ii) the actuarial present value of future normal cost, which is sometimes referred to as "accrued liability" or "past service liability."

Actuarial Assumptions. Estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Demographic assumptions (rates of mortality, disability, turnover, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the actuarial present value of future normal cost and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent. A single amount or series of amounts of equal value to another single amount or series of amounts, computed on the basis of the rate(s) of interest and mortality tables used by the plan.

Actuarial Present Value. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Actuarial Value of Assets. The value of cash, investments, and other property belonging to a pension or OPEB plan, as used by the actuary for the purpose of an actuarial valuation.

Amortization. Paying off an interest-bearing liability by means of periodic payments of interest and principal, as opposed to paying it off with a lump sum payment.

Annual OPEB Cost (AOC). An accrual-basis measure of the periodic cost of an employer's participation in a defined OPEB plan.

Annual Required Contribution (ARC). The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that, if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability.

Discount Rate. The rate used to adjust a series of future payments to reflect the time value of money.

Entry-Age Normal Cost Actuarial Method. A method under which the actuarial present value of projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost.

Expected Net Employer Contributions. The difference between the age-adjusted premium or expected retiree healthcare claims and retired member's share of the premium. This amount is used to offset the Annual OPEB Cost during the fiscal year.

Explicit Rate Subsidy. The portion of the premium paid by the employer. The premium may be based on the experience of active and retired members or retired members only.

Governmental Accounting Standards Board (GASB). GASB is the private, nonpartisan, nonprofit organization that works to create and improve the rules U.S. state and local governments follow when accounting for their finances and reporting them to the public.

Implicit Rate Subsidy. The de facto subsidy of retirees by permitting them to pay lower than age-adjusted premiums through the use of a single common or blended premium for both retirees and active employees.

Medical Trend Rate (Health Inflation). The increase in the plan's cost over time. Trend includes all elements that may influence a plan's cost, assuming those enrollments and the plan benefits do not change. Trend includes such elements as pure price inflation, changes in utilization, advances in medical technology, and cost shifting.

Net OPEB Obligation (NOO). An accounting liability when an employer doesn't fully fund the ARC.

Normal Cost. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost.

Other Postemployment Benefits (OPEB). OPEB are postemployment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription drugs or other healthcare benefits.

Pay-As-You-Go Funding. A method of financing benefits by making required benefit payments only as they come due.

Plan Member. A plan's membership includes active service employees, terminated employees who are eligible to receive benefits but are not receiving them, and retired employees and beneficiaries currently receiving benefits.

Pooled Money Investment Account (PMIA). An account administered by the Pooled Money Investment Board in the State of California that is limited to investments in the following categories: U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-

bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds.

Pre-Funding. A method of financing benefits by placing resources in trust as employees earn benefits so that the resources thus accumulated, along with related earnings, can be used to make benefit payments as they become due.

Present Value of all Projected Benefits. The present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value of money and the probabilities of payment.

Qualified Plan. A qualified plan is an employer-sponsored retirement plan that qualifies for special tax treatment under Section 401(a) of the Internal Revenue Code.

Reserve Account. An account used to indicate that funds have been set-aside for a specific purpose and are not generally available for other uses.

State Plan of the California Public Employees' Retirement System. Consists of, all State Miscellaneous employees (including CSU), State Industrial Members, Highway Patrol, State Police Officers and Firefighters (including CSU) and Other State Safety Employees.

Unfunded Actuarial Accrued Liability (UAAL). The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

Valuation Assets. The value of current plan assets recognized for valuation purposes.