



City of Cincinnati

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

Retiree Health Benefits Report

Prepared as of December 31, 2008



Cavanaugh Macdonald

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May 19, 2009

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

Members of the Board:

We are pleased to submit the results of the retiree health benefits actuarial valuation of the Retirement System for Employees of the City of Cincinnati prepared as of December 31, 2008. The purpose of this report is to provide a summary of the funded status of the System as of December 31, 2008, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 43 and 45 (GASB 43 and 45).

On the basis of the valuation, it is recommended that employer contributions to the System be set at a rate of 28.74% of payroll (approximately \$44,689,000) for the fiscal year ending December 31, 2010. The promised retiree health benefits of the System are included in the calculated contribution rate which is developed using the entry age cost method. Five-year smoothed market value of plan assets is used for the actuarial value of assets. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions within a 15-year period.

Since the previous valuation, several changes were made to the assumptions and methods used to determine the liability. The results of this valuation do not include a reduction for future payments estimated to be made by the Centers for Medicare & Medicaid Services (CMS) under the Retiree Drug Subsidy Program (RDS). Under GASB 43 and 45, the subsidy is not recognized as a direct offset, as it is viewed to be a transfer of funds between governmental levels. Additionally, changes were made to the starting per capita claims costs, their assumed rate of inflation, and the relationship of cost between ages. No changes were made to the plan provisions.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 43 and 45 of the Governmental Accounting Standards Board. The annual required contribution (ARC) for the City under GASB for the fiscal year ending December 31, 2010 is 28.74% of payroll, based on a 15-year period for amortization of the unfunded accrued liability.

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

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May 19, 2009
Board of Commissioners
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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA
Principal and Senior Actuary

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

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

EAM/EHG:rs



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**RETIREMENT SYSTEM FOR EMPLOYEES OF THE CITY OF CINCINNATI
REPORT OF THE ACTUARY
ON THE VALUATION
PREPARED AS OF DECEMBER 31, 2008**

RETIREE HEALTH BENEFITS REPORT

SECTION I – SUMMARY OF PRINCIPAL RESULTS

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

Valuation Date	December 31, 2008	December 31, 2007**
Active members:		
Number*	3,088	2,990
Annualized compensation	\$ 155,494,664	\$ 148,682,892
Number of annuitants in medical plans:	4,301	4,386
Number of spouses in medical plans:	<u>1,820</u>	<u>2,491</u>
Total	6,121	6,877
Number of terminated vested members	148	157
Assets:		
Market Value	\$ 574,058,000	\$ 2,685,339,891
Actuarial Value	688,869,600	2,629,891,707
Unfunded actuarial accrued liability	\$ 309,621,420	\$ 307,453,773
Amortization Period	15 years	15 years
Fiscal Year Ending	December 31, 2010	December 31, 2009
City annual required contribution rate (ARC):		
Normal	5.48%	14.61%
Accrued liability	<u>23.26</u>	<u>19.71</u>
Sub-total	28.74%	34.32%
ERIP***	<u>0.00</u>	<u>1.58</u>
Total	28.74%	35.90%
Estimated ARC in dollars	\$ 44,689,000	\$ 53,382,000

*In addition, there are 1,461 part-time employees at December 31, 2008 compared to 1,493 part-time employees at December 31, 2007.

**Results for December 31, 2007 were provided by previous actuary and are shown in total (pension and medical).

***Contributions to the ERIP were set by the previous actuary at \$2,353,816 for 2009 and \$3,025,768 for 2010.



2. The major benefit and contribution provisions of the System as reflected in the valuation are summarized in Schedule G. There have been no changes since the previous valuation.
3. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the valuation. Schedule C shows the development of the actuarial value of assets. The results of this valuation do not include a reduction for future payments estimated to be made by the Centers for Medicare & Medicaid Services (CMS) under the Retiree Drug Subsidy Program (RDS). Under GASB 43 and 45, the subsidy is not recognized as a direct offset, as it is viewed to be a transfer of funds between governmental levels. Additionally, changes were made to the starting per capita claims costs, their assumed rate of inflation, and the relationship of cost between ages. No other changes were made to the assumptions, methods, or plan provisions.
4. The entry age actuarial cost method was used to prepare the valuation. Schedule F contains a brief description of the actuarial cost method.
5. Comments on the valuation results as of December 31, 2008 are given in Section IV and further discussion of the contributions is set out in Section V.

SECTION II – MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the City. The valuation included 3,088 active members with annualized compensation totaling \$155,494,664. In addition, there are 1,461 part-time employees.
2. The following table shows the number of retired members in receipt of a retiree health benefit and those members with a deferred retiree health benefit as of December 31, 2008.

THE NUMBER AND ANNUAL BENEFITS OF RETIRED MEMBERS AND BENEFICIARIES AS OF DECEMBER 31, 2008

GROUP	NUMBER
Participants Receiving Retiree Health Benefits	4,301
Participants with a Deferred Benefit	<u>148</u>
Total	4,449



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

SECTION III – ASSETS

As of December 31, 2008, the total market value of assets amounted to \$1,816,139,000, as reported by the auditor, of which \$574,058,000 has been allocated for the purpose of providing retiree health benefits. The actuarial value of assets used for the current valuation was \$688,869,600. Schedule C shows the development of the actuarial value of assets as of December 31, 2008. Schedule D shows a reconciliation of the market value of asset balances from December 31, 2007 to December 31, 2008.

SECTION IV – COMMENTS ON VALUATION

1. Schedule B of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of December 31, 2008. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule E and the actuarial cost method which is described in Schedule F.
2. The valuation balance sheet shows that the System has total prospective liabilities of \$1,073,048,429 of which \$778,225,342 is for the prospective retiree health benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits, and \$294,823,087 is for the prospective retiree health benefits payable on account of present active members. Against these liabilities, the System has a total present actuarial value of assets of \$688,869,600 as of December 31, 2008. The difference of \$384,178,829 between the total liabilities and the total present assets represents the present value of future contributions.
3. The contributions to the System consist of normal contributions and accrued liability contributions. The valuation indicates that normal contributions at the rate of 5.48% of payroll are required by the City.



- Prospective normal contributions at the rate of 5.48% have a present value of \$74,557,409. When this amount is subtracted from \$384,178,829, which is the present value of the total future contributions to be made, there remains \$309,621,420 as the amount of unfunded accrued liability contributions. The development of the unfunded accrued liability is shown in Schedule A.

SECTION V – CONTRIBUTIONS PAYABLE

- The contributions consist of a normal contribution and an accrued liability contribution as determined by actuarial valuation.
- The normal contribution rate is calculated as the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all retiree health benefits payable on his behalf. On the basis of the valuation, the normal contribution rate required by the City was determined to be 5.48%.
- A contribution of 23.26% would be required by the City to liquidate the unfunded accrued liability within a 15-year period.
- The total City contribution rate required for the fiscal year ending December 31, 2010 is, therefore, 28.74% of payroll.
- The following table summarizes the employer contributions which were determined by the December 31, 2008 valuation and are recommended for use.

CITY ANNUAL REQUIRED CONTRIBUTIONS (ARC) FOR FISCAL YEAR ENDING DECEMBER 31, 2010

CONTRIBUTION	PERCENTAGE OF ACTIVE MEMBERS' COMPENSATION
Normal	5.48%
Accrued Liability	<u>23.26</u>
Total	28.74%



SECTION VI – ACCOUNTING INFORMATION

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

**NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF DECEMBER 31, 2008**

GROUP	TOTAL
Retired participants and beneficiaries currently receiving benefits	4,301
Spouses of retired participants and beneficiaries currently receiving benefits	1,820
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	148
Active Participants	
Full-Time	3,088
Part-Time	<u>1,461</u>
Total	10,818



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

SCHEDULE OF FUNDING PROGRESS
Dollar Amounts in Thousands

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

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

*Includes \$9,145,553 in part-time compensation.

3. Following is the calculation of the annual OPEB cost and net OPEB obligation for the fiscal year ending December 31, 2008.

Annual OPEB Cost and Net OPEB Obligation for Fiscal Year Ending December 31, 2008	
(a) Employer annual required contribution	\$ 22,767,221
(b) Interest on net OPEB obligation	578,000
(c) Adjustment to annual required contribution	<u>843,000</u>
(d) Annual OPEB cost (a) + (b) - (c)	\$ 22,502,221
(e) Employer contributions made for fiscal year ending December 31, 2008	<u>4,275,000</u>
(f) Increase (decrease) in net OPEB obligation (d) - (e)	\$ 18,227,221
(g) Net OPEB obligation beginning of fiscal year	<u>7,219,000</u>
(h) Net OPEB obligation end of fiscal year (f) + (g)	\$ 25,446,221



TREND INFORMATION
Dollar Amounts in Thousands

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

Reported in the City's financial statements.

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

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)	FISCAL YEAR ENDING DECEMBER 31, 2010
Normal	5.48%
Accrued liability	<u>23.26</u>
Total	28.74%

5. Additional information as of December 31, 2008 follows:

Valuation date	12/31/2008
Actuarial cost method	Entry age
Amortization period	Level dollar open
Remaining amortization period	15 years
Asset valuation method	Five-year smoothed market value
Actuarial assumptions:	
Investment rate of return (includes inflation)	8.00%
Projected salary increases (includes inflation)	3.75% - 7.50%
Healthcare trend rate (includes inflation)	Varies by benefit (Schedule E)
Inflation	3.00%



SCHEDULE A

**DEVELOPMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY
AS OF DECEMBER 31, 2008**

(1)	Present value of prospective benefits:	
(a)	Present active members	\$ 294,823,087
(b)	Present retired members, beneficiaries and former members entitled to deferred vested retiree health benefits	<u>778,225,342</u>
(c)	Total	\$ 1,073,048,429
(2)	Present value of future normal contributions	<u>74,557,409</u>
(3)	Actuarial accrued liabilities: 1(c) – (2)	\$ 998,491,020
(4)	Actuarial value of assets	<u>688,869,600</u>
(5)	Unfunded actuarial accrued liability (UAAL): (3) – (4)	\$ 309,621,420
(6)	Contribution Rate as a % of Payroll	
(a)	Normal Cost	5.48%
(b)	UAAL	<u>23.26%</u>
(c)	Total	28.74%



SCHEDULE B
VALUATION BALANCE SHEET

Present and prospective assets and liabilities as of December 31, 2008:

<u>ACTUARIAL LIABILITIES</u>	
Present value of prospective retiree health benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits	\$ 778,225,342
Present value of prospective retiree health benefits payable on account of present active members	<u>294,823,087</u>
Total liabilities	<u>\$1,073,048,429</u>
<u>PRESENT AND PROSPECTIVE ASSETS</u>	
Actuarial value of assets	\$ 688,869,600
Present value of future contributions	
City normal contributions	\$ 74,557,409
Unfunded accrued liability contributions	<u>309,621,420</u>
Total prospective contributions	<u>\$ 384,178,829</u>
Total assets	<u>\$1,073,048,429</u>



SCHEDULE C

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1)	Actuarial Value of Assets as of December 31, 2007	\$ 839,707,911
(2)	Market Value of Assets as of December 31, 2008	\$ 574,058,000
(3)	Market Value of Assets as of December 31, 2007	\$ 851,733,525
(4)	Net Cash Flow During Plan Year	
(a)	Contributions	\$ 4,275,000
(b)	Benefit Payments and Net Transfers	54,483,000
(c)	Administrative Expenses	480,000
(d)	Investment Expenses	<u>1,837,000</u>
(e)	Net Cash Flow: (a) – (b) – (c) – (d)	\$ (52,525,000)
(5)	Investment Income	
(a)	Market Total: (2) – (3) – (4)(e)	\$ (225,150,525)
(b)	Assumed Rate	8.00%
(c)	Amount for Immediate Recognition [(3) x (5)(b)] + [(4)(a) - (4)(b) - (4)(c)] x (5)(b) x 0.5] + (4)(d)	\$ 67,948,162
(d)	Amount for Phased-In Recognition: (5)(a) – (5)(c)	\$ (293,098,687)
(6)	Recognized Amounts for Plan Year	
(a)	Current Year: 0.20 x (5)(d)	\$ (58,619,737)
(b)	First Prior Year	(635,011)
(c)	Second Prior Year	10,609,715
(d)	Third Prior Year	(3,665,601)
(e)	Fourth Prior Year	<u>2,498,032</u>
(f)	Total Recognized Investment Gain/(Loss)	\$ (49,812,602)
(7)	Actuarial Value of Assets as of December 31, 2008 (1) + (4)(e) + (5)(c) + (6)(f)	\$ 805,318,471
	80% of Market Value EOY	459,246,400
	120% of Market Value EOY	688,869,600
(8)	Final Actuarial Value of Assets as of December 31, 2008	\$ 688,869,600
(9)	Rate of Return on Actuarial Value	1.94%



SCHEDULE D
ASSET INFORMATION

<i>Receipts</i>		
(1) Contributions		\$ 4,275,000
(2) Investment Income		
• Interest and Dividends	\$ 23,175,000	
• Net Appreciation (Depreciation) in Fair Value of Investments	(249,075,000)	
• Other Investment Earnings	751,000	
• Investment Expenses	<u>(1,837,000)</u>	
Total Investment Income		<u>\$(226,986,000)</u>
(3) Total Receipts		\$(222,711,000)
<i>Disbursements</i>		
(4) Benefits Paid	\$ 54,483,000	
(5) Administrative Expenses	<u>480,000</u>	
(6) Total Disbursements		\$ 54,963,000
(7) Excess of Receipts Over Disbursements: (3) - (6)		\$(277,674,000)
<i>Reconciliation of Asset Balances</i>		
(8) Market Value at December 31, 2007		\$851,734,000
(9) Excess of Receipts Over Disbursements		<u>(277,674,000)</u>
(10) Market Value at December 31, 2008		\$574,058,000
(11) Estimated Rate of Return on Market Value of Assets		(27.52)%



SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION DATE: December 31, 2008

DISCOUNT RATE: 8.00% per annum, compounded annually

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

Medical					
Fiscal Year	Payment Age <65				Payment Age 65+
	80/20 PPO	HMO	PPO	Traditional Indemnity	All Products
2009	10.3%	10.0%	10.3%	12.5%	8.5%
2010	9.3	9.1	9.3	11.1	7.9
2011	8.4	8.2	8.4	9.8	7.2
2012	7.4	7.3	7.4	8.4	6.6
2013	6.4	6.4	6.4	7.0	6.0
2014	6.0	5.9	6.0	6.4	5.6
2015	5.5	5.5	5.5	5.7	5.3
2016+	5.0	5.0	5.0	5.0	5.0

Fiscal Year	Medicare Part B Premium
2009	0.0%
2010	2.2
2011	3.6
2012	6.9
2013	0.6
2014	3.7
2015	4.2
2016*	6.6
2032+	5.0

*Rates after 2016 decrease linearly to the ultimate rate of 5.0%



Fiscal Year	Dental	Vision
2009	6.0%	3.0%
2010	5.8	3.0
2011	5.5	3.0
2012	5.3	3.0
2013	5.0	3.0
2014	4.8	3.0
2015	4.5	3.0
2016-2029*	4.3	3.0
2045+	0.0	3.0

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

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

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

ANTICIPATED MEDICAL PLAN PARTICIPATION: All eligible retirees and dependents in Group 1 are assumed to elect coverage. Eligible retirees and dependents in Group 2 are required to pay a percentage of the cost of benefits based upon the number of the member's full years of service and the member's age at separation from service (points). Representative values of the assumed annual rates of participation are as follows:

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



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

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

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

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

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

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

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

Service	Annual Rate
1	20.00%
2	6.50
3	6.50

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



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

SPOUSE COVERAGE IN RETIREE HEALTH BENEFIT PLANS: Used actual census data and current plan elections for spouses of current retirees. For spouses of future retirees, 75% of male members and 25% of female members are assumed to be married with the male three years older than his spouse.

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

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

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

Medical, Drug, and Administrative Costs			
Plan	Payment Age <65	Payment Age 65+ - No Medicare Part A Coverage	Payment Age 65+ - With Medicare Part A Coverage
80/20 PPO	\$11,065	\$6,068	\$3,298
HMO	15,741	10,417	4,003
PPO	13,523	8,235	4,979
Traditional Indemnity	17,919	10,331	3,672

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

Dental	Vision	Medicare Part B
\$298	\$23	\$1,157

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

Plan	Payment Age <65	Payment Age 65+ - No Medicare Part A Coverage	Payment Age 65+ - With Medicare Part A Coverage
80/20 PPO	\$8,880	\$7,835	\$4,654



SCHEDULE F

ACTUARIAL COST METHOD

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



SCHEDULE G

SUMMARY OF MAIN SYSTEM PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Eligibility

All active employees of the City except for the following:

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

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

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

Medical Benefits

The City offers medical benefits (including outpatient prescription drug coverage) to retirees before and during Medicare eligibility. Those participants who retired on or after January 1, 2008 will receive coverage under the 80/20 PPO plan. Retirees covered prior to January 1, 2008 can retain their prior election which includes three options, a traditional indemnity plan, a PPO plan, and an HMO plan. Those employees who retired under a special incentive plan in 2007 are covered by the 80/20 PPO plan.

Medicare Part B Premium Reimbursement

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

Dental Benefits

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

Vision Benefits

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

Retiree Contributions

Group 1 participants covered by the traditional indemnity or PPO plans do not contribute towards the cost of coverage. For those Group 1 participants covered by the HMO plan, contribution amounts are based upon



eligibility for Medicare Part A. Group 2 future retirees will pay the higher of the active employee contribution or the portion of their cost determined by the point system.

Group	80/20 PPO Active Employee Contribution		HMO Contribution	
			No Medicare Part A Coverage	With Medicare Part A Coverage
	Individual	Family	Per Person	Per Person
Group 1	\$177.60	\$490.80	\$64.20	\$62.40
Group 2	\$177.60	\$490.80	N/A	

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

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



SCHEDULE H

TABLE 1

**SCHEDULE OF ACTIVE MEMBERS BY AGE AND SERVICE
AS OF DECEMBER 31, 2008**

Age	Completed Years of Service							Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+	
Under 20	4							4
Avg Pay	30,260							30,260
20 - 24	42	2						44
Avg Pay	35,021	31,955						34,882
25 - 29	123	46	1					170
Avg Pay	36,777	43,621	66,567					38,805
30 - 34	95	82	27	2				206
Avg Pay	40,844	45,437	49,773	39,624				43,830
35 - 39	104	114	61	49	4			332
Avg Pay	46,692	47,518	46,131	52,028	52,512			47,730
40 - 44	70	97	77	162	76			482
Avg Pay	44,097	45,038	53,926	53,409	53,885			50,530
45 - 49	67	89	83	187	184	61		671
Avg Pay	41,869	47,701	49,247	53,096	57,656	56,889		52,378
50 - 54	47	67	66	129	148	124	16	597
Avg Pay	56,653	45,079	48,214	50,763	54,225	62,639	59,264	53,860
55 - 59	23	50	35	99	104	59	19	389
Avg Pay	48,657	47,662	51,885	51,292	51,631	61,388	58,536	52,699
60 - 64	14	22	12	40	39	7	11	145
Avg Pay	79,620	45,655	50,126	52,807	49,990	38,619	63,194	53,434
65 - 69		3	7	8	6	6	5	35
Avg Pay		43,860	56,149	51,887	71,011	40,882	61,566	54,826
70 & Over			2	3	2		6	13
Avg Pay			38,064	39,036	37,226		46,119	41,877
Total	589	572	371	679	563	257	57	3,088
Avg Pay	43,532	46,096	49,954	52,254	54,634	59,825	58,598	50,354

Average Age 46.44

Average Service

14.24



TABLE 2
SCHEDULE OF RETIRED MEMBERS AND BENEFICIARIES
AS OF DECEMBER 31, 2008

<u>Attained Age</u>	<u>Number of Members</u>	<u>Number of Spouses</u>	<u>Total</u>
39 & Under	4	13	17
40 - 44	13	24	37
45 - 49	45	81	126
50 - 54	238	203	441
55 - 59	587	342	929
60 - 64	707	361	1,068
65 - 69	548	272	820
70 - 74	620	223	843
75 - 79	547	144	691
80 - 84	497	97	594
85 - 89	334	46	380
90 - 94	109	9	118
95 - 99	45	5	50
100 & Over	<u>7</u>	<u>0</u>	<u>7</u>
Total	4,301	1,820	6,121

In addition, there are 148 deferred vested employees and beneficiaries entitled to deferred retiree health benefits.