

STATE OF CALIFORNIA RETIREE HEALTH BENEFITS PROGRAM
GASB NOS. 43 AND 45 ACTUARIAL VALUATION REPORT
AS OF JUNE 30, 2013



March 6, 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, 2013, and measures actuarial liabilities as of June 30, 2013. The report includes expense and financial reporting information applicable to fiscal year end June 30, 2014, and a projection of annual expense for fiscal year end June 30, 2015. This report was prepared at the request of the State Controller's Office (SCO) with 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 2013 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.

The undersigned 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



Alex Rivera, FSA, EA, MAAA
Senior Consultant



Randall Dziubek, ASA, EA, MAAA
Senior Consultant



Paul T. Wood, ASA, MAAA
Consultant

Table of Contents

<u>Section</u>	<u>Page Number</u>	
		TRANSMITTAL LETTER
	1	EXECUTIVE SUMMARY
A	8	CURRENT OVERVIEW
B		VALUATION RESULTS
	14	Pay-as-You-Go Scenario
	19	Pre-Funding Scenarios
	24	Accounting Information
C	27	SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS
D	47	SUMMARY OF PARTICIPANT DATA
E	58	SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
F	67	PENSION-RELATED ASSUMPTIONS
Appendix	87	GLOSSARY

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2013

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, 2013, 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, 2013;
- 2) Expense and financial reporting information for fiscal year end June 30, 2014;
- 3) Projection of expense for fiscal year end June 30, 2015; 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 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 impact costs.

California Highway Patrol – Pre-Funding

In August of 2009, the State and the California Association of Highway Patrolmen (CAHP) reached an agreement to support legislation to establish a trust to prefund postemployment healthcare benefits (OPEB) for certain California Highway Patrol (CHP) officers covered under Bargaining Unit 5. The key features of the agreement include:

- 1) The State would make permanent contributions to prefund OPEB in lieu of increasing CHP members' compensation effective as of July 1, 2009, and July 1, 2010. The compensation increase rate used to develop OPEB contributions would not exceed 2.0 percent effective July 1, 2010.
- 2) CHP members would make permanent contributions of 0.5 percent of base pay to prefund OPEB.
- 3) Effective July 1, 2012, the State would make a permanent matching contribution based on the rates determined in 1) and 2) above.

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, 2012, through June 30, 2013, total contributions of \$419 thousand, in excess of benefits payments, were made to the CHP OPEB account, and the account balance as of June 30, 2013, has grown to approximately \$9.68 million.

An 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.

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.

For further information regarding the CHP pre-funding arrangement, please refer to the GASB No. 43 valuation report specific to CHP.

Craft and Maintenance-Bargaining Unit 12 (BU-12) – Pre-Funding

In July of 2010, the State and BU-12 reached an agreement for the period July 1, 2010, to July 1, 2012, extended to July 1, 2013, to prefund postemployment healthcare benefits. The key feature of the agreement includes:

- 1) BU-12 members would make permanent contributions of 0.5 percent of base pay to prefund OPEB effective July 1, 2012.

The State and BU-12 established an account with the CERBT to prefund OPEB. The account balance as of June 30, 2013, is \$0.0.

Given the expected low level of prefunding, 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) – Pre-Funding

In July of 2010, the State and BU-16 reached an agreement for the period July 1, 2010, to July 1, 2012, extended to July 1, 2013, to prefund postemployment healthcare benefits. The key feature of the agreement includes:

- 1) BU-16 members would make permanent contributions of 0.5 percent of base pay to prefund OPEB effective July 1, 2012.

The State and BU-16 established an account with the CERBT to prefund OPEB. The account balance as of June 30, 2013, is \$0.0.

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

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

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, 2013, based on census data as of June 30, 2013.

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, 2013, is \$16.12 billion. The ARC applicable to fiscal year end June 30, 2014, is based on the results of the actuarial valuation as of June 30, 2012, projected to June 30, 2013, based on an inflation increase of 3.25 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 7.36 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 5.805 percent.

Pay-as-you-go funding at 4.25 percent - \$64.58 billion Actuarial Accrued Liability

The pay-as-you-go funding scenario produced an actuarial accrued liability of \$64.58 billion as of June 30, 2013, an ARC of \$5.03 billion for fiscal year end June 30, 2014, estimated employer contributions of \$1.78 billion for fiscal year end June 30, 2014, and an expected Net OPEB Obligation of \$19.46 billion at fiscal year end June 30, 2014.

Partial-funding at 5.805 percent - \$51.82 billion Actuarial Accrued Liability

The partial-funding scenario produced an actuarial accrued liability of \$51.82 billion as of June 30, 2013, an ARC of \$4.18 billion for fiscal year end June 30, 2014, estimated employer contributions of \$2.70 billion for fiscal year end June 30, 2014, and an expected Net OPEB Obligation of \$17.81 billion at fiscal year end June 30, 2014.

Full-funding at 7.36 percent - \$42.51 billion Actuarial Accrued Liability

The full-funding scenario produced an actuarial accrued liability of \$42.51 billion as of June 30, 2013, an ARC of \$3.62 billion for fiscal year end June 30, 2014, estimated employer contributions of \$3.62 billion for fiscal year end June 30, 2014, and an expected Net OPEB Obligation of \$16.42 billion at fiscal year end June 30, 2014.

Comparison of Key Valuation Results

Fiscal Year Ending June 30, 2014 (\$ in billions)	Pay-As-You-Go Funding (4.250%)	Partial Funding Policy (5.805%)	Full Funding Policy (7.360%)
Actuarial Accrued Liability as of June 30, 2013	\$64.58	\$51.82	\$42.51
Annual Required Contribution for FY 2014 ^a	\$5.03	\$4.18	\$3.62
Annual OPEB Cost for FY 2014	\$5.12	\$4.39	\$3.93
Expected Employer Contribution for FY 2014	\$1.78	\$2.70	\$3.62
Expected Net OPEB Obligation at FYE 2014	\$19.46	\$17.81	\$16.42
Annual Required Contribution for FY 2015 ^b	\$5.08	\$4.22	\$3.65

^a Based on actuarial valuation as of June 30, 2012, increased by wage inflation of 3.25 percent.

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

Fully funding retiree healthcare benefits increases cash contributions by 103 percent from \$1.78 billion to \$3.62 billion; however, the result is a smaller increase in the expected balance sheet liability at fiscal year end 2014. Under the full funding scenario, the balance sheet liability is expected to increase from \$16.12 billion at fiscal year end 2013 to \$16.42 billion at fiscal year end 2014. The partial funding policy also controls the growth in the balance sheet liability and reduces the expected balance sheet liability at fiscal year end 2014 by approximately 8 percent from \$19.46 billion to \$17.81 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, 2013, 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 2010, 2011, and 2012.

- Premium data for calendar years 2011, 2012, and 2013, 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 2013 actuarial valuations of the CalPERS statewide pension programs.
- 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, 2013, was estimated for each State group using:
 - The Net OPEB Obligation as of June 30, 2012;
 - Annual OPEB Cost for fiscal year end 2013 as developed in the valuation report as of June 30, 2012; and
 - Actual employer contributions for fiscal year end June 30, 2013, as provided by the SCO, allocated by the number of retirees disclosed in the valuation report as of June 30, 2012.
- 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, 2013.
- The basis of the actuarial assumptions and methods used in this valuation.
- Valuation results by employer group.
- Fiscal year end 2013 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, 2013

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, the California Highway Patrol recently bargained for a modest level of pre-funding. As of June 30, 2013, there is approximately \$9.68 million in assets available to pay future retiree healthcare benefits currently invested in the CalPERS California Employers' Retiree Benefit Trust. Bargaining Units 12 and 16 have bargained for a modest level of prefunding which will commence in fiscal year 2013.

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 7.36 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 5.805 percent. The full funding discount rate of 7.36 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 2014 trend rates are based on actual premium increases from calendar 2013 to 2014. Based on a review of supporting documentation provided by CalPERS and a review of various publically available trend studies, the 2014 trend rate for the PPO per capita claims costs is assumed to be 7.50 percent. For 2015 and beyond we assumed an initial healthcare trend rate of 8.50 percent decreasing each year over the next six 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 (\$2,970 for 2013) to the catastrophic coverage limit (\$6,734 for 2013). 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.

The EGWP-Wrap design feature is expected to reduce prescription costs for Medicare eligible members by approximately 25 percent in the near-term.

However, 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, 2013, 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, 2013

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 \$63.85 billion as of June 30, 2012, to \$64.58 billion as of June 30, 2013. 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 \$67.32 billion as of June 30, 2013. The key factors contributing to the change in actuarial liabilities of \$2.74 billion include:
 - During the year, favorable healthcare claims experience and plan design changes decreased the actuarial liability by \$5.71 billion. This change in accrued liability is mainly driven by the relationship between the assumed trend rate for claims cost in 2013 used in last year's valuation and the trend rate for 2013 based on actual experience. For example, based on the assumed trend rates for 2013 in last year's valuation, PPO claims costs were expected to increase 9.5 percent. The actual increase was much lower than that assumption, thus resulting in a gain. The favorable experience and design changes are the largest contributor to the gain in actuarial liability.
 - Demographic experience caused actuarial liabilities to increase by \$0.25 billion. Examples of demographic experience losses include: more members retiring than assumed, members retiring earlier than assumed, and members living longer than assumed.
 - As part of the updated CalPERS OPEB assumption model for valuations based on data measured after August 15, 2012, the inflation assumptions was changed from 3.00 percent to 2.75 percent. The inflation assumptions underlies all economic assumptions meaning a change in the assumed rate of inflation impacts the discount rate, wage inflation, and salary increases. As a result of the change in the inflation assumption, the discount rate under the pay-as-you-go funding policy was lowered from 4.50 percent to

4.25 percent. The change in discount rate increased the actuarial liabilities by \$2.35 billion. Also as a result of the change in the inflation assumption, the assumption for wage inflation was reduced from 3.25 percent to 3.00 percent. The 25 basis point change in wage inflation directly impacts the assumed rates of salary increases. While OPEB benefits are not based on the members pay, under the individual entry-age normal cost method, payroll is used to spread the present valued of future benefits between past and future service. Lowering wage inflation and the assumed rates of salary increases does not change the present value of benefits, but it does increase the actuarial accrued liabilities. The increase in the actuarial liabilities due to the change in wage inflation and salary increases is equal to \$0.37 billion.

- For fiscal year end June 30, 2014, the ARC is based on the results of the actuarial valuation as of June 30, 2012, projected to the following year. That is, the ARC for fiscal year end June 30, 2014, of \$4.87 billion, developed in the valuation report as of June 30, 2012, was increased by wage inflation of 3.25 percent, which equals \$5.03 billion.
- The expected employer payments for fiscal year end June 30, 2014, include \$1.56 billion of explicit costs and \$0.22 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, 2015, is based on the valuation as of June 30, 2013, increased with wage inflation of 3.00 percent and equals \$5.08 billion.

CALIFORNIA STATE EMPLOYEES OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2013 (\$ in '000s) PAY-AS-YOU-GO FUNDING POLICY (4.250%) (GAIN)/LOSS ANALYSIS	
Actuarial Accrued Liability as of July 1, 2012	\$63,845,113
Normal Cost for 12/13 ¹	2,347,206
Expected Benefit Payments for 12/13	(1,805,486)
Interest	<u>2,938,031</u>
Expected Actuarial Accrued Liability as of June 30, 2013	\$67,324,864
(Gain)/Loss Items	
Healthcare Claims Experience and Design Changes	(\$5,708,018)
Demographic Experience	254,673
Change in Assumed Rates of Salary Increases	365,915
Change in Discount Rate	<u>2,346,941</u>
Total	(\$2,740,489)
Actuarial Accrued Liability as of June 30, 2013	\$64,584,375

¹Based on valuation results as of June 30, 2012 and differs from the FY 12/13 normal cost used to develop the ARC for FY 13/13 which was developed in the valuation as of June 30, 2011, increased with the wage inflation assumption of 3.25 percent.

State of California OPEB Valuation as of June 30, 2013

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2013 (\$ 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	40,194	131,604	171,798	10,928	7,349	404	39,455	39,859	24,177	1,677	12	571	256,371
Retired Participants	27,029	85,985	113,014	4,547	7,191	283	25,115	25,398	12,203	1,643	101	110	164,207
Total Participants	67,223	217,589	284,812	15,475	14,540	687	64,570	65,257	36,380	3,320	113	681	420,578
Actuarial Present Value of Proj. Benefits													
Active Participants	\$8,402,682	\$26,490,654	\$34,893,336	\$2,228,172	\$3,197,972	\$137,571	\$12,285,503	\$12,423,074	\$4,803,511	\$299,143	\$1,698	\$121,594	\$57,968,500
Retired Participants	4,700,681	14,416,129	19,116,810	812,751	2,320,359	89,565	7,776,256	7,865,821	2,555,470	283,189	16,445	25,566	32,996,411
Total Participants	\$13,103,363	\$40,906,783	\$54,010,146	\$3,040,923	\$5,518,331	\$227,136	\$20,061,759	\$20,288,895	\$7,358,981	\$582,332	\$18,143	\$147,160	\$90,964,911
Actuarial Accrued Liability													
Active Participants	\$4,253,372	\$15,667,069	\$19,920,441	\$1,129,007	\$1,551,735	\$62,690	\$6,194,432	\$6,257,122	\$2,460,105	\$194,240	\$1,435	\$73,879	\$31,587,964
Retired Participants	4,700,681	14,416,129	19,116,810	812,751	2,320,359	89,565	7,776,256	7,865,821	2,555,470	283,189	16,445	25,566	32,996,411
Total Participants	\$8,954,053	\$30,083,198	\$39,037,251	\$1,941,758	\$3,872,094	\$152,255	\$13,970,688	\$14,122,943	\$5,015,575	\$477,429	\$17,880	\$99,445	\$64,584,375
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$9,682	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,682
Unfunded Actuarial Accrued Liability	\$8,954,053	\$30,083,198	\$39,037,251	\$1,941,758	\$3,862,412	\$152,255	\$13,970,688	\$14,122,943	\$5,015,575	\$477,429	\$17,880	\$99,445	\$64,574,693
Annual Required Contribution of the Employer (ARC) for YE 6/30/14 ^a													
Normal Cost	\$394,819	\$1,016,866	\$1,411,685	\$100,200	\$118,224	\$5,821	\$528,322	\$534,143	\$239,990	\$13,925	\$102	\$5,220	\$2,423,489
Amortization of UAAL	364,866	1,220,075	1,584,941	78,868	151,666	5,967	552,823	558,790	202,736	20,115	2,470	3,838	2,603,424
Total ARC for FYE 6/30/14	\$759,685	\$2,236,941	\$2,996,626	\$179,068	\$269,890	\$11,788	\$1,081,145	\$1,092,933	\$442,726	\$34,040	\$2,572	\$9,058	\$5,026,913
Per Active Participant (not in '000s)	\$18,900	\$16,998	\$17,443	\$16,386	\$36,725	\$29,178	\$27,402	\$27,420	\$18,312	\$20,298	\$214,333	\$15,863	\$19,608
Annual OPEB Cost (AOC) for YE 6/30/14													
ARC for FYE 6/30/14	\$759,685	\$2,236,941	\$2,996,626	\$179,068	\$269,890	\$11,788	\$1,081,145	\$1,092,933	\$442,726	\$34,040	\$2,572	\$9,058	\$5,026,913
Interest on NOO at 6/30/13	93,622	303,229	396,851	28,855	36,932	1,656	187,557	189,213	68,669	2,918	264	1,583	725,285
Adjustment to the ARC	(82,125)	(265,990)	(348,115)	(25,311)	(32,397)	(1,453)	(164,523)	(165,976)	(60,236)	(2,559)	(710)	(1,389)	(636,693)
Total AOC for FYE 6/30/14	\$771,182	\$2,274,180	\$3,045,362	\$182,612	\$274,425	\$11,991	\$1,104,179	\$1,116,170	\$451,159	\$34,399	\$2,126	\$9,252	\$5,115,505
Expected Net Employer Contribution for FYE 6/30/14	\$275,976	\$864,948	\$1,140,924	\$45,500	\$97,898	\$3,809	\$331,429	\$335,238	\$134,246	\$18,830	\$1,069	\$1,375	\$1,775,080
Actual Net OPEB Obligation at 6/30/13	\$2,080,495	\$6,738,433	\$8,818,928	\$641,217	\$820,717	\$36,802	\$4,167,934	\$4,204,736	\$1,525,974	\$64,839	\$5,869	\$35,189	\$16,117,469
Expected Net OPEB Obligation at 6/30/14	\$2,575,701	\$8,147,665	\$10,723,366	\$778,329	\$997,244	\$44,984	\$4,940,684	\$4,985,668	\$1,842,887	\$80,408	\$6,926	\$43,066	\$19,457,894

^a Based on results of actuarial valuation as of June 30, 2012, projected to June 30, 2013, using a wage inflation assumption of 3.25 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 2014 (\$ 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	\$190,825	\$598,543	\$789,368	\$32,191	\$72,145	\$3,059	\$268,246	\$271,305	\$95,905	\$11,844	\$699	\$1,023	\$1,274,480
Part B Reimbursement	37,639	101,184	138,823	4,543	7,895	228	16,507	16,735	11,941	3,052	131	82	183,202
Dental Claims	<u>13,347</u>	<u>51,517</u>	<u>64,864</u>	<u>2,677</u>	<u>4,993</u>	<u>152</u>	<u>16,703</u>	<u>16,855</u>	<u>7,401</u>	<u>1,152</u>	<u>63</u>	<u>75</u>	<u>98,080</u>
Total	\$241,811	\$751,244	\$993,055	\$39,411	\$85,033	\$3,439	\$301,456	\$304,895	\$115,247	\$16,048	\$893	\$1,180	\$1,555,762
Implicit Costs	<u>\$34,165</u>	<u>\$113,704</u>	<u>\$147,869</u>	<u>\$6,089</u>	<u>\$12,865</u>	<u>\$370</u>	<u>\$29,973</u>	<u>\$30,343</u>	<u>\$18,999</u>	<u>\$2,782</u>	<u>\$176</u>	<u>\$195</u>	<u>\$219,318</u>
Total Employer Costs ^b	\$275,976	\$864,948	\$1,140,924	\$45,500	\$97,898	\$3,809	\$331,429	\$335,238	\$134,246	\$18,830	\$1,069	\$1,375	\$1,775,080
Retiree Share of Claim Costs													
Medical and Rx Claims	\$9,714	\$30,490	\$40,204	\$2,232	\$1,574	\$152	\$15,906	\$16,058	\$8,159	\$408	\$35	\$128	\$68,798
Dental Claims	<u>0</u>	<u>16,031</u>	<u>16,031</u>	<u>834</u>	<u>1,591</u>	<u>0</u>	<u>5,275</u>	<u>5,275</u>	<u>2,294</u>	<u>370</u>	<u>20</u>	<u>24</u>	<u>26,439</u>
Total	\$9,714	\$46,521	\$56,235	\$3,066	\$3,165	\$152	\$21,181	\$21,333	\$10,453	\$778	\$55	\$152	\$95,237
Total Claims Costs	\$285,690	\$911,469	\$1,197,159	\$48,566	\$101,063	\$3,961	\$352,610	\$356,571	\$144,699	\$19,608	\$1,124	\$1,527	\$1,870,317

^a The explicit employer cost is an estimate of the employer paid premium for the fiscal year end June 30, 2014. 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, 2014. 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, 2013 (\$ in '000s)													
PAY-AS-YOU-GO FUNDING POLICY (4.250%)													
DEVELOPMENT OF FYE 2015 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 6/30/13 valuation													
Normal Cost	\$394,807	\$1,003,984	\$1,398,791	\$92,943	\$120,995	\$5,978	\$508,162	\$514,140	\$233,506	\$13,073	\$78	\$5,011	\$2,378,537
Amortization of UAAL	<u>353,588</u>	<u>1,187,959</u>	<u>1,541,547</u>	<u>76,678</u>	<u>152,523</u>	<u>6,012</u>	<u>551,690</u>	<u>557,702</u>	<u>198,061</u>	<u>18,853</u>	<u>2,141</u>	<u>3,927</u>	<u>2,551,432</u>
Total ARC	\$748,395	\$2,191,943	\$2,940,338	\$169,621	\$273,518	\$11,990	\$1,059,852	\$1,071,842	\$431,567	\$31,926	\$2,219	\$8,938	\$4,929,969
ARC for YE 6/30/15													
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	<u>364,196</u>	<u>1,223,598</u>	<u>1,587,794</u>	<u>78,978</u>	<u>157,099</u>	<u>6,192</u>	<u>568,241</u>	<u>574,433</u>	<u>204,003</u>	<u>19,419</u>	<u>2,205</u>	<u>4,045</u>	<u>2,627,976</u>
Total ARC for YE 6/30/15^a	\$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

^a For fiscal year end June 30, 2015, the ARC will be based on the results of the actuarial valuation as of June 30, 2013, 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, 2013

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 7.36 percent can be supported. The discount rate of 7.36 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 5.805 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 7.36 percent.

The full-funding policy produces a fiscal year 2014 Annual Required Contribution of \$3.62 billion, cash contributions of \$3.62 billion and an actuarial liability of \$42.51 billion.

The partial funding discount rate of 5.805 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 2014 Annual Required Contribution of \$4.18 billion, cash contributions of \$2.70 billion and an actuarial liability of \$51.82 billion.

Some key observations of the fiscal year 2014 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 103 percent from \$1.78 billion to \$3.62 billion. Under this scenario, the additional balance sheet liability is minimal, that is, the balance sheet liability is expected to increase from \$16.12 billion at fiscal year end 2013 to \$16.42 billion at fiscal year end 2014.
- If the State partially funds the program, contributions increase by 52 percent from \$1.78 billion to \$2.70 billion, and the Annual Required Contribution decreases by 17 percent from \$5.03 billion to \$4.18 billion. Under this scenario the balance sheet liability is \$17.81 billion or roughly 8 percent less than the pay-as-you-go alternative.

State of California OPEB Valuation as of June 30, 2013

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2013 (\$ in '000s)													
FULL FUNDING POLICY (7.360%)													
	State Miscellaneous					State Police Officers and Firefighters (POFF)			Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF					
Number of Participants Covered													
Active Participants	40,194	131,604	171,798	10,928	7,349	404	39,455	39,859	24,177	1,677	12	571	256,371
Retired Participants	27,029	85,985	113,014	4,547	7,191	283	25,115	25,398	12,203	1,643	101	110	164,207
Total Participants	67,223	217,589	284,812	15,475	14,540	687	64,570	65,257	36,380	3,320	113	681	420,578
Actuarial Present Value of Proj. Benefits													
Active Participants	\$4,279,758	\$13,462,414	\$17,742,172	\$1,092,017	\$1,374,819	\$62,358	\$5,793,572	\$5,855,930	\$2,422,990	\$174,058	\$1,019	\$64,337	\$28,727,342
Retired Participants	3,451,515	10,545,627	13,997,142	585,493	1,599,629	61,209	5,292,380	5,353,589	1,811,028	213,276	12,295	17,842	23,590,294
Total Participants	\$7,731,273	\$24,008,041	\$31,739,314	\$1,677,510	\$2,974,448	\$123,567	\$11,085,952	\$11,209,519	\$4,234,018	\$387,334	\$13,314	\$82,179	\$52,317,636
Actuarial Accrued Liability													
Active Participants	\$2,627,959	\$9,479,941	\$12,107,900	\$679,617	\$836,191	\$35,279	\$3,590,897	\$3,626,176	\$1,491,912	\$128,619	\$896	\$45,614	\$18,916,925
Retired Participants	3,451,515	10,545,627	13,997,142	585,493	1,599,629	61,209	5,292,380	5,353,589	1,811,028	213,276	12,295	17,842	23,590,294
Total Participants	\$6,079,474	\$20,025,568	\$26,105,042	\$1,265,110	\$2,435,820	\$96,488	\$8,883,277	\$8,979,765	\$3,302,940	\$341,895	\$13,191	\$63,456	\$42,507,219
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$9,682	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,682
Unfunded Actuarial Accrued Liability	\$6,079,474	\$20,025,568	\$26,105,042	\$1,265,110	\$2,426,138	\$96,488	\$8,883,277	\$8,979,765	\$3,302,940	\$341,895	\$13,191	\$63,456	\$42,497,537
Annual Required Contribution of the Employer (ARC) for YE 6/30/14 ^a													
Normal Cost	\$199,750	\$472,867	\$672,617	\$48,358	\$49,680	\$2,672	\$241,332	\$244,004	\$120,327	\$7,103	\$53	\$2,539	\$1,144,681
Amortization of UAAL	358,671	1,174,019	1,532,690	74,081	139,099	5,463	507,073	512,536	193,378	20,784	2,041	3,513	2,478,122
Total ARC for FYE 6/30/14	\$558,421	\$1,646,886	\$2,205,307	\$122,439	\$188,779	\$8,135	\$748,405	\$756,540	\$313,705	\$27,887	\$2,094	\$6,052	\$3,622,803
Per Active Participant (not in '000s)	\$13,893	\$12,514	\$12,837	\$11,204	\$25,688	\$20,136	\$18,969	\$18,980	\$12,975	\$16,629	\$174,500	\$10,599	\$14,131
Annual OPEB Cost (AOC) for YE 6/30/14													
ARC for FYE 6/30/14	\$558,421	\$1,646,886	\$2,205,307	\$122,439	\$188,779	\$8,135	\$748,405	\$756,540	\$313,705	\$27,887	\$2,094	\$6,052	\$3,622,803
Interest on NOO at 6/30/13	158,326	512,795	671,121	48,797	62,457	2,801	317,180	319,981	116,127	4,934	447	2,678	1,226,542
Adjustment to the ARC	(118,583)	(384,074)	(502,657)	(36,548)	(46,779)	(2,098)	(237,562)	(239,660)	(86,977)	(3,696)	(799)	(2,006)	(919,122)
Total AOC for FYE 6/30/14	\$598,164	\$1,775,607	\$2,373,771	\$134,688	\$204,457	\$8,838	\$828,023	\$836,861	\$342,855	\$29,125	\$1,742	\$6,724	\$3,930,223
Expected Net Employer Contribution for FYE 6/30/14	\$558,421	\$1,646,886	\$2,205,307	\$122,439	\$188,779	\$8,135	\$748,405	\$756,540	\$313,705	\$27,887	\$2,094	\$6,052	\$3,622,803
Actual Net OPEB Obligation at 6/30/13	\$2,080,495	\$6,738,433	\$8,818,928	\$641,217	\$820,717	\$36,802	\$4,167,934	\$4,204,736	\$1,525,974	\$64,839	\$5,869	\$35,189	\$16,117,469
Expected Net OPEB Obligation at 6/30/14	\$2,120,238	\$6,867,154	\$8,987,392	\$653,466	\$836,395	\$37,505	\$4,247,552	\$4,285,057	\$1,555,124	\$66,077	\$5,517	\$35,861	\$16,424,889

^a Based on results of actuarial valuation as of June 30, 2012, projected to June 30, 2013, using a discount rate of 7.61 percent and a wage inflation assumption of 3.25 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, 2013 (\$ in '000s) FULL FUNDING POLICY (7.360%) DEVELOPMENT OF FYE 2015 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 6/30/13 valuation Normal Cost	\$198,834	\$464,996	\$663,830	\$44,588	\$49,941	\$2,749	\$231,265	\$234,014	\$116,386	\$6,660	\$40	\$2,431	\$1,117,890
Amortization of UAAL	<u>346,906</u>	<u>1,142,696</u>	<u>1,489,602</u>	<u>72,190</u>	<u>138,440</u>	<u>5,506</u>	<u>506,896</u>	<u>512,402</u>	<u>188,472</u>	<u>19,510</u>	<u>1,779</u>	<u>3,621</u>	<u>2,426,016</u>
Total ARC	\$545,740	\$1,607,692	\$2,153,432	\$116,778	\$188,381	\$8,255	\$738,161	\$746,416	\$304,858	\$26,170	\$1,819	\$6,052	\$3,543,906
ARC for YE 6/30/15 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	<u>357,313</u>	<u>1,176,977</u>	<u>1,534,290</u>	<u>74,356</u>	<u>142,593</u>	<u>5,671</u>	<u>522,103</u>	<u>527,774</u>	<u>194,126</u>	<u>20,095</u>	<u>1,832</u>	<u>3,730</u>	<u>2,498,796</u>
Total ARC for YE 6/30/15 ^a	\$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

^a For fiscal year end June 30, 2015, the ARC will be based on the results of the actuarial valuation as of June 30, 2013, 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, 2013

CALIFORNIA STATE EMPLOYEES													
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2013 (\$ in '000s)													
PARTIAL FUNDING POLICY (5.805%)													
	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	40,194	131,604	171,798	10,928	7,349	404	39,455	39,859	24,177	1,677	12	571	256,371
Retired Participants	<u>27,029</u>	<u>85,985</u>	<u>113,014</u>	<u>4,547</u>	<u>7,191</u>	<u>283</u>	<u>25,115</u>	<u>25,398</u>	<u>12,203</u>	<u>1,643</u>	<u>101</u>	<u>110</u>	<u>164,207</u>
Total Participants	67,223	217,589	284,812	15,475	14,540	687	64,570	65,257	36,380	3,320	113	681	420,578
Actuarial Present Value of Proj. Benefits													
Active Participants	\$5,882,808	\$18,526,633	\$24,409,441	\$1,529,184	\$2,053,041	\$90,728	\$8,267,835	\$8,358,563	\$3,346,971	\$225,142	\$1,298	\$86,922	\$40,010,562
Retired Participants	<u>3,993,275</u>	<u>12,219,689</u>	<u>16,212,964</u>	<u>683,255</u>	<u>1,903,999</u>	<u>73,147</u>	<u>6,334,677</u>	<u>6,407,824</u>	<u>2,128,544</u>	<u>243,912</u>	<u>14,097</u>	<u>21,134</u>	<u>27,615,729</u>
Total Participants	\$9,876,083	\$30,746,322	\$40,622,405	\$2,212,439	\$3,957,040	\$163,875	\$14,602,512	\$14,766,387	\$5,475,515	\$469,054	\$15,395	\$108,056	\$67,626,291
Actuarial Accrued Liability													
Active Participants	\$3,311,059	\$12,069,331	\$15,380,390	\$867,458	\$1,126,668	\$46,524	\$4,667,263	\$4,713,787	\$1,897,367	\$156,846	\$1,120	\$57,508	\$24,201,144
Retired Participants	<u>3,993,275</u>	<u>12,219,689</u>	<u>16,212,964</u>	<u>683,255</u>	<u>1,903,999</u>	<u>73,147</u>	<u>6,334,677</u>	<u>6,407,824</u>	<u>2,128,544</u>	<u>243,912</u>	<u>14,097</u>	<u>21,134</u>	<u>27,615,729</u>
Total Participants	\$7,304,334	\$24,289,020	\$31,593,354	\$1,550,713	\$3,030,667	\$119,671	\$11,001,940	\$11,121,611	\$4,025,911	\$400,758	\$15,217	\$78,642	\$51,816,873
Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$9,682	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,682
Unfunded Actuarial Accrued Liability	\$7,304,334	\$24,289,020	\$31,593,354	\$1,550,713	\$3,020,985	\$119,671	\$11,001,940	\$11,121,611	\$4,025,911	\$400,758	\$15,217	\$78,642	\$51,807,191
Annual Required Contribution of the Employer (ARC) for YE 6/30/14 ^a													
Normal Cost	\$277,809	\$686,462	\$964,271	\$68,899	\$75,827	\$3,895	\$352,904	\$356,799	\$167,880	\$9,868	\$73	\$3,604	\$1,647,221
Amortization of UAAL	<u>361,507</u>	<u>1,195,441</u>	<u>1,556,948</u>	<u>76,333</u>	<u>144,727</u>	<u>5,689</u>	<u>527,773</u>	<u>533,462</u>	<u>197,688</u>	<u>20,468</u>	<u>2,228</u>	<u>3,670</u>	<u>2,535,524</u>
Total ARC for FYE 6/30/14	<u>\$639,316</u>	<u>\$1,881,903</u>	<u>\$2,521,219</u>	<u>\$145,232</u>	<u>\$220,554</u>	<u>\$9,584</u>	<u>\$880,677</u>	<u>\$890,261</u>	<u>\$365,568</u>	<u>\$30,336</u>	<u>\$2,301</u>	<u>\$7,274</u>	<u>\$4,182,745</u>
Per Active Participant (not in '000s)	\$15,906	\$14,300	\$14,675	\$13,290	\$30,011	\$23,723	\$22,321	\$22,335	\$15,120	\$18,089	\$191,750	\$12,739	\$16,315
Annual OPEB Cost (AOC) for YE 6/30/14													
ARC for FYE 6/30/14	\$639,316	\$1,881,903	\$2,521,219	\$145,232	\$220,554	\$9,584	\$880,677	\$890,261	\$365,568	\$30,336	\$2,301	\$7,274	\$4,182,745
Interest on NOO at 6/30/13	125,974	408,012	533,986	38,826	49,694	2,229	252,368	254,597	92,398	3,926	356	2,131	975,914
Adjustment to the ARC	<u>(99,590)</u>	<u>(322,558)</u>	<u>(422,148)</u>	<u>(30,694)</u>	<u>(39,286)</u>	<u>(1,762)</u>	<u>(199,512)</u>	<u>(201,274)</u>	<u>(73,046)</u>	<u>(3,104)</u>	<u>(754)</u>	<u>(1,685)</u>	<u>(771,991)</u>
Total AOC for FYE 6/30/14	<u>\$665,700</u>	<u>\$1,967,357</u>	<u>\$2,633,057</u>	<u>\$153,364</u>	<u>\$230,962</u>	<u>\$10,051</u>	<u>\$933,533</u>	<u>\$943,584</u>	<u>\$384,920</u>	<u>\$31,158</u>	<u>\$1,903</u>	<u>\$7,720</u>	<u>\$4,386,668</u>
Expected Net Employer Contribution for FYE 6/30/14	<u>\$417,199</u>	<u>\$1,255,917</u>	<u>\$1,673,116</u>	<u>\$83,970</u>	<u>\$143,339</u>	<u>\$5,972</u>	<u>\$539,917</u>	<u>\$545,889</u>	<u>\$223,976</u>	<u>\$23,359</u>	<u>\$1,582</u>	<u>\$3,714</u>	<u>\$2,698,945</u>
Actual Net OPEB Obligation at 6/30/13	<u>\$2,080,495</u>	<u>\$6,738,433</u>	<u>\$8,818,928</u>	<u>\$641,217</u>	<u>\$820,717</u>	<u>\$36,802</u>	<u>\$4,167,934</u>	<u>\$4,204,736</u>	<u>\$1,525,974</u>	<u>\$64,839</u>	<u>\$5,869</u>	<u>\$35,189</u>	<u>\$16,117,469</u>
Expected Net OPEB Obligation at 6/30/14	<u>\$2,328,996</u>	<u>\$7,449,873</u>	<u>\$9,778,869</u>	<u>\$710,611</u>	<u>\$908,340</u>	<u>\$40,881</u>	<u>\$4,561,550</u>	<u>\$4,602,431</u>	<u>\$1,686,918</u>	<u>\$72,638</u>	<u>\$6,190</u>	<u>\$39,195</u>	<u>\$17,805,192</u>

^a Based on results of actuarial valuation as of June 30, 2012, projected to June 30, 2013, using a discount rate of 6.055 percent and a wage inflation assumption of 3.25 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, 2013 (\$ in '000s) PARTIAL FUNDING POLICY (5.805%) DEVELOPMENT OF FYE 2015 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 6/30/13 valuation													
Normal Cost	\$277,117	\$676,331	\$953,448	\$63,710	\$76,885	\$4,002	\$338,786	\$342,788	\$162,828	\$9,259	\$55	\$3,455	\$1,612,428
Amortization of UAAL	<u>349,927</u>	<u>1,163,610</u>	<u>1,513,537</u>	<u>74,290</u>	<u>144,726</u>	<u>5,733</u>	<u>527,068</u>	<u>532,801</u>	<u>192,869</u>	<u>19,199</u>	<u>1,936</u>	<u>3,767</u>	<u>2,483,125</u>
Total ARC	\$627,044	\$1,839,941	\$2,466,985	\$138,000	\$221,611	\$9,735	\$865,854	\$875,589	\$355,697	\$28,458	\$1,991	\$7,222	\$4,095,553
ARC for YE 6/30/15													
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 YE 6/30/15 ^a	\$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

^a For fiscal year end June 30, 2015, the ARC will be based on the results of the actuarial valuation as of June 30, 2013, 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, 2013

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.

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 2008 through 2014 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)
2008	\$1.70	\$1.89	\$3.59
2009	\$1.76	\$1.96	\$3.72
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

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) (a)	Interest on Net OPEB Obligation (b)	Adjustment to Annual Required Contribution (c)	Total Annual OPEB Cost (AOC) (a) + (b) + (c)
2008	\$3.59	\$0.00	\$0.00	\$3.59
2009	\$3.72	\$0.10	-\$0.09	\$3.73
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

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
2008	\$3.59	\$1.25	35%	\$2.34
2009	\$3.73	\$1.38	37%	\$4.69
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 ¹	\$5.12	\$1.78	35%	\$19.46

¹Net employer contribution and Net OPEB Obligation estimated for fiscal year ending June 30, 2014.

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 Year¹ (a) + (b) - (c)
2008	\$0.00	\$3.59	\$1.25	\$2.34
2009	\$2.34	\$3.73	\$1.38	\$4.69
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 ¹	\$16.12	\$5.12	\$1.78	\$19.46

¹Net employer contribution and Net OPEB Obligation estimated for fiscal year ending June 30, 2014.

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, 2007	\$0.00	\$47.88	\$47.88	0.00%	\$17.94	267%
June 30, 2008	\$0.00	\$48.22	\$48.22	0.00%	\$17.89	270%
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%

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, 2013

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.

2013 State Contribution

The 2013 maximum State Contribution amounts are as follows:

2013 State Contribution		
One-Party Coverage	Two-Party Coverage	Family Coverage
\$622.00	\$1,183.00	\$1,515.00

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, and Blue Shield NetValue HMO	
	Copay and/or Benefit Limit
Hospital	
Inpatient	No Charge
Outpatient	
Kaiser Permanente	\$15/Visit
Blue Shield	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
Blue Shield	\$15/visit
Urgent Care Visits	\$15/visit
Allergy Testing/Treatment	
Kaiser Permanente	No Charge for Injections \$15/Visit (Testing Visits)
Blue Shield	No Charge
Vision Exam (Refraction)	
Kaiser Permanente	No Charge
Blue Shield	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
Blue Shield	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	
Blue Shield	
Retail Pharmacy <i>(up to 30-day supply)</i>	\$5/Generic \$20/Formulary Brand Name \$50/Non-Formulary <i>(\$40 if medical necessity approved)</i>
Mail Order Program <i>(up to 90-day supply)</i> <i>\$1,000 maximum copayment per person per calendar year.</i>	\$10/generic \$40/formulary brand name \$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, and Blue Shield NetValue HMO		
	Medicare Managed Care Plan (Medicare Advantage)	Supplement to Original Medicare Plans
	Kaiser Permanent	Blue Shield of California
	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	\$10/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	\$1,000 Allowance every 36 Months for Both Ears
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 \$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>	\$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>	\$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 Outpatient Surgery	\$100 per admission No Charge
Physician Services Office Visits Outpatient Visits Urgent Care Visits Allergy Testing/Treatment Vision Exam (Refraction) Hearing Exam/Screening Inpatient Hospital Visits Surgery/Anesthesia	\$10/visit No Charge \$10/visit No Charge \$10/visit No Charge No Charge No Charge
Ambulance Service	No Charge
Emergency Services	No Charge
Prescription Drug Benefit	
Retail Pharmacy Mail Order Program <i>(up to 90-day supply)</i>	\$5/generic \$20/formulary brand name \$35/non-formulary \$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	10%	40%	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

2013 Health Plan Rates			
Basic Plans - HMO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Blue Shield	\$676.11	\$1,352.22	\$1,757.89
Blue Shield NetValue	\$577.52	\$1,155.04	\$1,501.55
Kaiser	\$609.34	\$1,218.68	\$1,584.28
Kaiser Out-of-State - Colorado	\$876.46	\$1,752.92	\$2,278.80
Kaiser Out-of-State - Georgia	\$876.46	\$1,752.92	\$2,278.80
Kaiser Out-of-State - Hawaii	\$876.46	\$1,752.92	\$2,278.80
Kaiser Out-of-State - Mid-Atlantic	\$876.46	\$1,752.92	\$2,278.80
Kaiser Out-of-State - Northwest	\$876.46	\$1,752.92	\$2,278.80
Kaiser Out-of-State - Ohio	\$876.46	\$1,752.92	\$2,278.80
Basic Plans - PPO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
PERS Choice	\$634.06	\$1,268.12	\$1,648.56
PERS Select	\$463.12	\$926.24	\$1,204.11
PERSCare	\$1,029.57	\$2,059.14	\$2,676.88
Basic Association Plans			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
CAHP	\$602.71	\$1,170.07	\$1,530.35
CCPOA - North	\$595.92	\$1,193.73	\$1,611.44
CCPOA - South	\$491.51	\$984.86	\$1,330.58
PORAC	\$581.00	\$1,088.00	\$1,382.00

2013 Health Plan Rates			
Supplement/Managed Medicare Plans - HMO			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Blue Shield	\$261.32	\$522.64	\$783.96
Blue Shield NetValue	\$261.32	\$522.64	\$783.96
Kaiser	\$288.37	\$576.74	\$865.11
Kaiser Out-of-State - Colorado	\$371.89	\$743.78	\$1,115.67
Kaiser Out-of-State - Georgia	\$371.89	\$743.78	\$1,115.67
Kaiser Out-of-State - Hawaii	\$371.89	\$743.78	\$1,115.67
Kaiser Out-of-State - Mid-Atlantic	\$371.89	\$743.78	\$1,115.67
Kaiser Out-of-State - Northwest	\$371.89	\$743.78	\$1,115.67
Kaiser Out-of-State - Ohio	\$371.89	\$743.78	\$1,115.67
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

2013 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
Blue Shield	\$937.43	\$1,198.75	\$1,343.10
Blue Shield NetValue	\$838.84	\$1,100.16	\$1,185.35
Kaiser	\$897.71	\$1,186.08	\$1,263.31
Kaiser Out-of-State - Colorado	\$1,248.35	\$1,620.24	\$1,774.23
Kaiser Out-of-State - Georgia	\$1,248.35	\$1,620.24	\$1,774.23
Kaiser Out-of-State - Hawaii	\$1,248.35	\$1,620.24	\$1,774.23
Kaiser Out-of-State - Mid-Atlantic	\$1,248.35	\$1,620.24	\$1,774.23
Kaiser Out-of-State - Northwest	\$1,248.35	\$1,620.24	\$1,774.23
Kaiser Out-of-State - Ohio	\$1,248.35	\$1,620.24	\$1,774.23
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	\$959.80	\$1,285.54	\$1,340.24
PERS Select	\$788.86	\$1,114.60	\$1,066.73
PERSCare	\$1,400.00	\$1,770.43	\$2,017.74
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	\$903.71	\$1,080.71	\$1,263.99
CCPOA - North	\$976.41	\$1,352.67	\$1,394.12
CCPOA - South	\$872.00	\$1,248.26	\$1,217.72
PORAC	\$996.00	\$1,494.00	\$1,290.00

2013 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
Blue Shield	\$937.43	\$1,343.10	\$928.31
Blue Shield NetValue	\$838.84	\$1,185.35	\$869.15
Kaiser	\$897.71	\$1,263.31	\$942.34
Kaiser Out-of-State - Colorado	\$1,248.35	\$1,774.23	\$1,269.66
Kaiser Out-of-State - Georgia	\$1,248.35	\$1,774.23	\$1,269.66
Kaiser Out-of-State - Hawaii	\$1,248.35	\$1,774.23	\$1,269.66
Kaiser Out-of-State - Mid-Atlantic	\$1,248.35	\$1,774.23	\$1,269.66
Kaiser Out-of-State - Northwest	\$1,248.35	\$1,774.23	\$1,269.66
Kaiser Out-of-State - Ohio	\$1,248.35	\$1,774.23	\$1,269.66
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	\$959.80	\$1,340.24	\$1,031.92
PERS Select	\$788.86	\$1,066.73	\$929.35
PERSCare	\$1,400.00	\$2,017.74	\$1,358.60
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	\$921.36	\$1,281.64	\$1,015.28
CCPOA - North	\$977.06	\$1,394.77	\$1,177.45
CCPOA - South	\$872.60	\$1,218.32	\$1,105.46
PORAC	\$925.00	\$1,219.00	\$1,127.00

2013 Dental Plan Rates - State Sponsored Plans			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
DeltaPremier ¹	\$54.28	\$96.48	\$140.48
Delta PPO ²	\$46.09	\$91.39	\$138.46
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 - \$13.57 / 2 party - \$24.12 / 3 or more party - \$35.12

² Employee Share: 1 party - \$11.52 / 2 party - \$22.85 / 3 or more party - \$34.61

³ Provided at no cost to the retiree

2013 Dental Plan Rates - California State University⁴			
Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Delta Dental PPO - Basic	\$29.90	\$56.49	\$113.44
DeltaCare USA - Basic	\$20.31	\$33.51	\$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, 2013

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
Blue Shield	3,500	12,668	16,168	643	136	51	3,141	3,192	1,789	75	6	26	22,035
Blue Shield Net Value	982	5,324	6,306	360	58	22	1,658	1,680	810	20	1	13	9,248
Kaiser	7,710	33,754	41,464	1,598	859	72	7,027	7,099	3,679	175	14	36	54,924
Kaiser Out-of-State	230	535	765	19	20	1	114	115	89	3	-	1	1,012
PERS Choice	8,073	17,732	25,805	1,152	1,118	81	8,785	8,866	3,966	449	25	31	41,412
PERS Select	106	285	391	23	2	4	202	206	77	3	-	1	703
PERSCare	6,427	15,657	22,084	737	288	16	1,625	1,641	1,765	918	55	2	27,490
CAHP	-	7	7	1	4,703	-	2	2	1	-	-	-	4,714
CCPOA	-	4	4	10	-	-	2,303	2,303	15	-	-	-	2,332
PORAC	<u>1</u>	<u>19</u>	<u>20</u>	<u>4</u>	<u>7</u>	<u>36</u>	<u>258</u>	<u>294</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337</u>
Total	27,029	85,985	113,014	4,547	7,191	283	25,115	25,398	12,203	1,643	101	110	164,207

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
Blue Shield	3,229	7,238	5,400	3,482	1,798	888	10,427	11,608
Blue Shield NetValue	1,163	2,408	2,153	1,644	1,203	677	4,519	4,729
Kaiser	8,754	19,359	12,797	8,087	3,707	2,220	25,258	29,666
Kaiser Out-of-State	158	435	256	125	25	13	439	573
PERS Choice	6,281	11,546	13,086	5,952	3,358	1,189	22,725	18,687
PERS Select	94	141	194	115	117	42	405	298
PERSCare	5,040	14,404	5,621	2,241	139	45	10,800	16,690
CAHP	548	731	2,375	85	882	93	3,805	909
CCPOA	279	270	727	179	727	150	1,733	599
PORAC	<u>29</u>	<u>42</u>	<u>158</u>	<u>21</u>	<u>72</u>	<u>15</u>	<u>259</u>	<u>78</u>
Total	25,575	56,574	42,767	21,931	12,028	5,332	80,370	83,837

California State Employees			
Distribution of Current Retirees by Medical/Rx Benefit Plan			
	Under 65	At Least 65	Total
Blue Shield	8,991	13,044	22,035
Blue Shield Net Value	6,494	2,754	9,248
Kaiser	19,834	35,090	54,924
Kaiser Out-of-State	221	791	1,012
PERS Choice	16,747	24,665	41,412
PERS Select	510	193	703
PERSCare	1,191	26,299	27,490
CAHP	1,950	2,764	4,714
CCPOA	1,934	398	2,332
PORAC	<u>201</u>	<u>136</u>	<u>337</u>
Total	58,073	106,134	164,207
Distribution of Current Retirees by Coverage Type			
	Under 65	At Least 65	Total
One Party	22,421	59,728	82,149
Two Party	21,915	42,783	64,698
Family	<u>13,737</u>	<u>3,623</u>	<u>17,360</u>
Total	58,073	106,134	164,207

California State Employees			
Distribution of Retiree Medical/Rx Benefit by Age			
Attained Age	Male	Female	Total
Under 40	296	285	581
40-44	414	398	812
45-49	691	911	1,602
50-54	4,485	3,242	7,727
55-59	8,428	9,352	17,780
60-64	14,191	15,380	29,571
65-69	16,656	15,550	32,206
70-74	13,004	11,947	24,951
75-79	9,301	8,883	18,184
80-84	6,879	7,463	14,342
85-89	4,066	6,139	10,205
90 & Over	1,959	4,287	6,246
Totals	80,370	83,837	164,207

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	-	11,180	11,180	598	612	-	3,253	3,253	1,600	72	5	11
Delta Dental	25,376	69,382	94,758	3,678	3,566	255	20,433	20,688	9,479	1,558	93	89	133,909
Safeguard	-	2,824	2,824	132	137	-	636	636	536	5	1	-	4,271
DeltaCare USA	1,677	3,293	4,970	158	47	28	354	382	401	-	-	4	5,962
CAHP/Blue Cross	-	4	4	-	2,706	-	-	-	1	-	-	-	2,711
Premier Access	-	22	22	2	2	-	14	14	8	-	-	-	48
Western Dental	-	<u>65</u>	<u>65</u>	<u>3</u>	<u>1</u>	-	<u>72</u>	<u>72</u>	<u>11</u>	-	-	-	<u>152</u>
Total	27,053	86,770	113,823	4,571	7,071	283	24,762	25,045	12,036	1,635	99	104	164,384

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	2,358	5,521	4,908	2,433	1,432	679	8,698	8,633
Delta Dental	20,140	44,873	35,788	19,990	8,959	4,159	64,887	69,022
Safeguard	736	1,702	1,014	503	200	116	1,950	2,321
DeltaCare USA	981	2,383	1,273	831	287	207	2,541	3,421
CAHP/Blue Cross	280	189	1,461	61	651	69	2,392	319
Premier Access	8	13	13	5	5	4	26	22
Western Dental	<u>21</u>	<u>32</u>	<u>35</u>	<u>28</u>	<u>25</u>	<u>11</u>	<u>81</u>	<u>71</u>
Total	24,524	54,713	44,492	23,851	11,559	5,245	80,575	83,809

California State Employees			
Distribution of Current Retirees by Dental Benefit Plan			
	Under 65	At Least 65	Total
Delta Dental PPO	5,848	11,483	17,331
Delta Dental	45,849	88,060	133,909
Safeguard	1,062	3,209	4,271
DeltaCare USA	1,711	4,251	5,962
CAHP/Blue Cross	1,456	1,255	2,711
Premier Access	34	14	48
Western Dental	<u>110</u>	<u>42</u>	<u>152</u>
Total	56,070	108,314	164,384
Distribution of Current Retirees by Dental Benefit Coverage Type			
	Under 65	At Least 65	Total
One Party	21,149	58,088	79,237
Two Party	21,849	46,494	68,343
Family	<u>13,072</u>	<u>3,732</u>	<u>16,804</u>
Total	56,070	108,314	164,384

California State Employees			
Distribution of Retiree Dental Benefit Plan by Age			
Attained Age	Male	Female	Total
Under 40	234	217	451
40-44	362	356	718
45-49	647	800	1,447
50-54	4,157	2,993	7,150
55-59	8,161	9,056	17,217
60-64	13,901	15,186	29,087
65-69	16,956	15,824	32,780
70-74	13,265	12,150	25,415
75-79	9,526	9,103	18,629
80-84	7,145	7,668	14,813
85-89	4,173	6,226	10,399
90 & Over	2,048	4,230	6,278
Totals	80,575	83,809	164,384

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	36	-	-	-	-	-	-	36
20-24	2,621	50	-	-	-	-	-	2,671
25-29	10,975	4,659	16	-	-	-	-	15,650
30-34	9,945	12,834	2,461	31	-	-	-	25,271
35-39	7,296	11,394	8,837	1,827	21	-	-	29,375
40-44	5,853	9,994	9,832	7,579	1,952	35	-	35,245
45-49	5,095	8,208	8,329	7,533	7,034	2,536	55	38,790
50-54	4,649	7,218	7,663	6,555	7,115	6,128	2,230	41,558
55-59	3,961	5,886	6,417	5,038	5,278	4,607	4,486	35,673
60-64	2,497	4,049	4,089	3,086	3,099	2,475	2,559	21,854
65 & Over	1,325	2,051	2,195	1,537	1,245	912	983	10,248
Totals	54,253	66,343	49,839	33,186	25,744	16,693	10,313	256,371

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	40,194	131,604	171,798	10,928	7,349	404	39,455	39,859	24,177	1,677	12	571	256,371
Retired Participants	<u>27,029</u>	<u>85,985</u>	<u>113,014</u>	<u>4,547</u>	<u>7,191</u>	<u>283</u>	<u>25,115</u>	<u>25,398</u>	<u>12,203</u>	<u>1,643</u>	<u>101</u>	<u>110</u>	<u>164,207</u>
Total Participants	67,223	217,589	284,812	15,475	14,540	687	64,570	65,257	36,380	3,320	113	681	420,578

SECTION E

ACTUARIAL ASSUMPTIONS AND METHODS

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2013

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, 2013.

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 for the following pension plans and are disclosed in Section F of this report:

- State Plan of the California Public Employees' Retirement System
- Judges' Retirement System
- Judges' Retirement System II
- Legislators' Retirement System

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, 5.805 percent for the partially funded policy, and 7.36 percent for the fully funded policy. A discount rate of 7.36 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 2014 and 8.50 percent in 2015 graded down over a six 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 2014 trend rate for the PPO per capita claims costs is assumed to be 7.50 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 -9.50 percent for 2014 and 4.50 percent for 2015 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 25 percent savings 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	5.805%
Full funding	7.360%

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.

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	
2014	7.50%	7.50%	7.50%	7.50%	3.81%*	5.76%*	-9.50%*
2015	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	4.50%
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			
2014	2.51%*	-8.70%*	3.81%*	5.76%*	-9.50%*	4.50%	3.03%*
2015	8.50%	8.50%	8.50%	8.50%	4.50%	4.50%	8.50%
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 1/1/2014.

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 25 percent savings due to the EGWP-Wrap plan design changes.

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	\$457.55	\$457.55	\$137.56	\$137.56
55	549.00	519.55	155.67	162.39
60	644.98	585.05	170.71	188.13
65	132.85	116.56	222.14	253.57
70	151.58	129.48	232.94	271.82
75	171.11	143.02	240.00	283.54
80	191.45	157.19	243.32	288.74

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
Age	PERSCare - PPO			
	Medical		Prescription	
	Male	Female	Male	Female
50	\$742.98	\$742.98	\$195.03	\$195.03
55	891.47	843.66	220.71	230.23
60	1,047.33	950.02	242.03	266.73
65	146.01	128.10	222.53	254.01
70	166.59	142.30	233.35	272.29
75	188.06	157.19	240.42	284.03
80	210.41	172.76	243.74	289.24

Costs for Retirees and Spouses (Expected Monthly Per Capita Costs)		
Age	All HMO Plans	
	Medical/Rx	
	Male	Female
50	\$543.04	\$601.31
55	707.86	728.25
60	909.94	864.32
65	240.03	226.33
70	273.86	251.41
75	309.15	277.71
80	345.90	305.22

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 2011 and 2012. 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	\$54.91	\$42.46	\$18.98	\$11.48
55	54.91	42.46	18.98	11.48
60	54.91	42.46	18.98	11.48
65	54.91	42.46	18.98	11.48
70	54.91	42.46	18.98	11.48
75	54.91	42.46	18.98	11.48
80	54.91	42.46	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 2013. 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 a 25 percent reduction in the cost of post-Medicare prescription benefits due to the Employer Group Waiver Plan (EGWP) design change, effective January 1, 2013. 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, 2013 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, 2013

ECONOMIC ASSUMPTIONS:

Salary Growth

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

Annual Percentage Increase						
Duration of Service	State Miscellaneous Tier 1 & Tier 2			Industrial		
	Entry Age			Entry Age		
	20	30	40	20	30	40
0	13.10%	10.70%	8.00%	9.30%	8.60%	8.00%
3	8.70%	7.80%	6.30%	7.90%	7.50%	7.10%
5	7.00%	6.50%	5.60%	7.10%	6.90%	6.70%
10	4.70%	4.60%	4.20%	5.80%	4.80%	5.50%
15	4.00%	3.90%	3.70%	4.90%	5.05%	4.70%
20	3.60%	3.60%	3.50%	4.30%	4.20%	4.10%
25	3.50%	3.50%	3.40%	3.60%	3.60%	3.60%
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	7.30%	7.10%	6.90%	19.70%	18.30%	16.60%
3	5.90%	5.40%	4.60%	8.80%	8.60%	8.00%
5	5.30%	4.80%	3.80%	6.60%	6.40%	5.80%
10	4.60%	4.10%	3.30%	4.40%	4.30%	4.10%
15	4.10%	3.80%	3.20%	3.90%	3.80%	3.80%
20	3.70%	3.50%	3.20%	3.60%	3.50%	3.50%
25	3.60%	3.50%	3.20%	3.40%	3.40%	3.40%
30	3.60%	3.50%	3.20%	3.40%	3.40%	3.40%

Duration of Service	CHP		
	Entry Age		
	20	30	40
0	8.80%	8.80%	8.80%
3	6.00%	6.00%	6.00%
5	4.90%	4.90%	4.90%
10	3.70%	3.70%	3.70%
15	3.50%	3.50%	3.50%
20	3.40%	3.40%	3.40%
25	3.40%	3.40%	3.40%
30	3.40%	3.40%	3.40%

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	0.004	0.011	0.016	0.019	0.023	0.027	0.032
52	0.004	0.012	0.016	0.020	0.025	0.029	0.033
54	0.008	0.022	0.030	0.037	0.046	0.054	0.062
56	0.014	0.038	0.054	0.066	0.081	0.095	0.109
58	0.019	0.050	0.071	0.087	0.106	0.124	0.144
60	0.026	0.070	0.098	0.121	0.148	0.173	0.200
62	0.047	0.125	0.176	0.217	0.266	0.311	0.359
65	0.054	0.145	0.204	0.250	0.307	0.359	0.415
70	0.050	0.134	0.188	0.231	0.284	0.331	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	0.00047	0.0001	0.00016	0.0001
25	0.00050	0.0002	0.00026	0.0001
30	0.00053	0.0003	0.00036	0.0005
35	0.00067	0.0005	0.00046	0.0013
40	0.00087	0.0012	0.00065	0.0023
45	0.00120	0.0022	0.00093	0.0040
50	0.00176	0.0038	0.00126	0.0055
55	0.00260	0.0040	0.00176	0.0049
60	0.00395	0.0026	0.00266	0.0031

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	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165

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	0.00047	0.00016	0.0004	0.0002	0.00003
25	0.00050	0.00026	0.0009	0.0002	0.00007
30	0.00053	0.00036	0.0014	0.0002	0.00010
35	0.00067	0.00046	0.0020	0.0003	0.00012
40	0.00087	0.00065	0.0032	0.0003	0.00013
45	0.00120	0.00093	0.0047	0.0004	0.00014
50	0.00176	0.00126	0.0062	0.0004	0.00015
55	0.00260	0.00176	0.0079	0.0006	0.00016
60	0.00395	0.00266	0.0092	0.0006	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	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165

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	0.012	0.021	0.028	0.033	0.037	0.048	0.057
52	0.008	0.014	0.019	0.023	0.025	0.033	0.039
54	0.024	0.041	0.055	0.064	0.072	0.093	0.111
56	0.038	0.064	0.086	0.101	0.113	0.146	0.174
58	0.040	0.068	0.092	0.107	0.120	0.155	0.184
60	0.043	0.072	0.098	0.115	0.128	0.166	0.197
62	0.070	0.117	0.159	0.186	0.208	0.270	0.320
65	0.095	0.160	0.217	0.254	0.284	0.369	0.437
70	0.086	0.144	0.195	0.229	0.255	0.331	0.393
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	0.0131	-	-	-	-

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.

Attained Age	Non-Industrial Death		Non-Industrial Disability	Industrial Disability	Industrial Death
	Male	Female	Male and Female	Male and Female	Male and Female
20	0.00047	0.00016	0.0004	0.0002	0.00003
25	0.00050	0.00026	0.0005	0.0011	0.00007
30	0.00053	0.00036	0.0006	0.0022	0.00010
35	0.00067	0.00046	0.0007	0.0032	0.00012
40	0.00087	0.00065	0.0007	0.0043	0.00013
45	0.00120	0.00093	0.0011	0.0053	0.00014
50	0.00176	0.00126	0.0022	0.0064	0.00015
55	0.00260	0.00176	0.0031	0.0096	0.00016
60	0.00395	0.00266	0.0039	0.0096	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.

Age	Healthy Recipients		Non-Industrially Disabled (Not Job-Related)		Industrially Disabled (Job-Related)	
	Male	Female	Male	Female	Male	Female
50	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165

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	0.006	0.020	0.027	0.031	0.052	0.082	0.095
52	0.008	0.026	0.035	0.041	0.067	0.106	0.123
54	0.016	0.054	0.073	0.084	0.139	0.219	0.254
56	0.021	0.070	0.094	0.109	0.181	0.284	0.330
58	0.020	0.066	0.089	0.103	0.170	0.267	0.310
60	0.020	0.067	0.091	0.105	0.174	0.273	0.317
62	0.035	0.116	0.157	0.181	0.301	0.472	0.549
65	0.039	0.132	0.178	0.206	0.341	0.536	0.623
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	0.0030	-	-	-	-

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	0.00047	0.00016	0.0001	0.0003	0.00003
25	0.00050	0.00026	0.0001	0.0015	0.00007
30	0.00053	0.00036	0.0001	0.0030	0.00010
35	0.00067	0.00046	0.0002	0.0045	0.00012
40	0.00087	0.00065	0.0004	0.0060	0.00013
45	0.00120	0.00093	0.0006	0.0075	0.00014
50	0.00176	0.00126	0.0010	0.0090	0.00015
55	0.00260	0.00176	0.0014	0.0208	0.00016
60	0.00395	0.00266	0.0019	0.0208	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	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165

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	0.0044	0.0044	0.0044	0.0044	0.0132	0.0250	0.0288
52	0.0145	0.0145	0.0145	0.0145	0.0435	0.0825	0.0950
54	0.0303	0.0303	0.0303	0.0303	0.0909	0.1725	0.1988
56	0.0271	0.0271	0.0271	0.0271	0.0813	0.1542	0.1777
58	0.0229	0.0229	0.0229	0.0229	0.0686	0.1301	0.1499
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	0.0026	-	-	-	-

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	0.00047	0.00016	0.0001	0.0010	0.00003
25	0.00050	0.00026	0.0001	0.0020	0.00007
30	0.00053	0.00036	0.0001	0.0029	0.00010
35	0.00067	0.00046	0.0001	0.0038	0.00012
40	0.00087	0.00065	0.0001	0.0048	0.00013
45	0.00120	0.00093	0.0003	0.0058	0.00014
50	0.00176	0.00126	0.0003	0.0067	0.00015
55	0.00260	0.00176	0.0003	0.1189	0.00016
60	0.00395	0.00266	0.0003	0.1189	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	0.00239	0.00125	0.01632	0.01245	0.00443	0.00356
55	0.00474	0.00243	0.01936	0.01580	0.00563	0.00546
60	0.00720	0.00431	0.02293	0.01628	0.00777	0.00798
65	0.01069	0.00775	0.03174	0.01969	0.01388	0.01184
70	0.01675	0.01244	0.03870	0.03019	0.02236	0.01716
75	0.03080	0.02071	0.06001	0.03915	0.03585	0.02665
80	0.05270	0.03749	0.08388	0.05555	0.06926	0.04528
85	0.09775	0.07005	0.14035	0.09577	0.11799	0.08017
90	0.16747	0.12404	0.21554	0.14949	0.16575	0.13775
95	0.25659	0.21556	0.31025	0.23055	0.26108	0.23331
100	0.34551	0.31876	0.45905	0.37662	0.40918	0.35165

JUDGES'S 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'S 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’S 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, 2013

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.