



**City of Hayward  
Other Post-Employment Benefits  
Actuarial Valuation  
as of June 30, 2013**

**Produced by [Cheiron](#)**

**May 1, 2014**

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***Via Email***

May 1, 2014

Tracy Vesely  
Director of Finance  
777 B Street  
Hayward, CA 94541

***Re: City of Hayward Other Post-Employment Benefits Valuation***

Dear Ms. Vesely:

Cheiron has been retained by the City of Hayward to complete its Other Post-Employment Benefits (OPEB) actuarial valuation as of June 30, 2013. The following report contains our findings and disclosures required by the Governmental Accounting Standards Board (GASB) standards, as well as commentary about GASB standards.

Appendix A describes the member data, assumptions, and methods used in calculating the figures throughout the report. Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with the City of Hayward staff. In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the City of Hayward. This information includes, but is not limited to the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

The purpose of this report is to present the actuarial valuation of the City of Hayward's Other Post-Employment Benefits. This report is for the use of the City and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report. This valuation report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

The results of this valuation reflect only the financial condition of the plan as of the valuation date. We recommend reviewing forecasts of the plan's financial condition under alternative scenarios. Such forecasts, however, are beyond the scope of this assignment.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of

i



Ms. Tracy Vesely  
City of Hayward  
May 1, 2014

Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This valuation report was prepared exclusively for the City for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,  
Cheiron



Graham Schmidt, ASA, FCA, MAAA  
Consulting Actuary



Elisabeth Mercer, ASA, EA, MAAA  
Associate Actuary



Michael W. Schionning, FSA, MAAA  
Principal Consulting Actuary

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**SECTION I  
SUMMARY OF RESULTS**

The City of Hayward has engaged Cheiron to provide a valuation of the City's Other Post-Employment Benefits. The primary purpose of performing this actuarial valuation is to:

- Determine the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and the Net Other Post-Employment Benefit (OPEB) Obligation (NOO) of the Post-Employment Healthcare Plan under GASB 45 for the fiscal year ending June 30, 2014;
- Provide information for financial statement disclosures under GASB 45;
- Show the sensitivity of the valuation results to changes in healthcare trend assumptions.

We have determined costs, liabilities and trends for the substantive Plan using actuarial assumptions and methods that we consider reasonable.

***GASB's OPEB Requirements:***

The Governmental Accounting Standards Board (GASB) released Statement 43 regarding financial reporting for post-employment benefit plans other than pension plans and a companion Statement (Number 45) regarding the employer accounting for these plans. Statement 43 is generally applicable where an entity has a separate trust or fund for OPEB benefits. Statement 45, which was adopted in the fiscal year ending June 30, 2008, requires the plan sponsor to book the actuarial cost (net of employee, retiree, and their dependents' contributions) of the plan as an expense on its financial statements and then accrue a liability to the extent actual contributions were less than this expense. Additional disclosures include a description of the plan, summary of significant accounting policies, contributions, and a schedule of funding progress, along with the methods and assumptions used for those disclosures.

***Implicit Subsidy***

GASB 45 requires that the valuation of OPEB plans take into consideration the liability associated with the implicit subsidy that exists when the premium rates charged to active and retired employees are the same, or "blended". This provides the users of the City's financial statement an estimate of the total value of the promised retiree benefit.

The employer's share of the current coverage costs for active and retired employees should be calculated based on the claim costs or age-adjusted premiums for the employer. The current age adjusted costs used in this valuation are based on the estimated age related costs for the applicable CalPERS plans offered by the City to its employees and retirees.

It is our opinion that the Actuarial Standard of Practice 6 (ASOP 6) requires the recognition of the age-related costs and the inherent implicit subsidy that exists in the CalPERS health benefit plans offered by the City of Hayward. However, while the valuation results include the liability and ARC associated with the implicit subsidy, each year the implicit subsidy is actually paid through the active employee premiums. Because of this, we do not believe that the City would

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**SECTION I  
SUMMARY OF RESULTS**

need to fully fund the portion of the ARC that is associated with the implicit subsidy since over time the active employees will continue to fund the implicit subsidy on a pay-as-you go basis. In order to avoid negative consequences of not contributing the full GASB ARC for financial reporting purposes, the City of Hayward may want to consider developing a funding policy separate from the GASB ARC. For example, the funding contribution may be based on only the explicit subsidy liability, but use a different amortization method or a shorter amortization period.

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION I  
SUMMARY OF RESULTS**

***Valuation Results***

The table below presents the key results of the June 30, 2013 valuation.

<b>Table I-1 Summary of Key Valuation Results</b>		
<b>Valuation Date</b>	<b>6/30/2013</b>	<b>6/30/2011</b>
<b>Discount Rate (per annum)</b>	<b>4.60%</b>	<b>4.60%</b>
Actuarial Accrued Liability		
- Retirees	\$ 31,275,216	\$ 31,915,054
- Active Employees	44,522,667	37,039,934
- Total	\$ 75,797,883	\$ 68,954,988
Assets	\$ 839,626	\$ 517,364
Unfunded Accrued Liability (UAAL)	\$ <b>74,958,257</b>	\$ <b>68,437,624</b>
Normal Cost	\$ 2,568,781	\$ 2,203,305
Amortization of UAL	\$ 4,993,194	\$ 4,365,544
<b>Total ARC</b>	<b>\$ 7,561,975</b>	<b>\$ 6,568,849</b>
Normal Cost % of pay	3.59%	3.04%
Amortization of UAL % of pay	6.99%	6.03%
<b>Total Cost (ARC as % of pay)</b>	<b>10.58%</b>	<b>9.07%</b>
<i>Expected/ Actual Funding Policy Contribution Amount</i>	\$ 2,659,000	2,525,917
<i>Expected Implicit Subsidy Amount*</i>	\$ 156,172	NA

\* The implicit subsidy was first measured in the 2013 valuation. Note that this amount is paid through the active premiums and is not an additional amount to be contributed to the trust.

Table I-1 shows that the ARC grew from 9.07% of pay at June 30, 2011 to 10.58% of pay at June 30, 2013. The reflection of the implicit subsidy accounts for an increase of 1% of pay in the ARC. The normal cost component of the explicit cost and the UAL amortization increased slightly. These changes are discussed further in the GASB Valuation Results section.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**SECTION I  
SUMMARY OF RESULTS**

As described above, this valuation also reflects the implicit subsidy. The prior actuarial valuation, as of June 30, 2011, did not identify the implicit subsidy. The table below shows the results broken down between the explicit cost and implicit subsidy portions of the benefits.

<b>Table I-1a Summary of Key Valuation Results</b>			
<b>Valuation Date</b>	<b>6/30/2013</b>	<b>6/30/2013</b>	<b>6/30/2013</b>
	<b>Explicit Cost</b>	<b>Implicit Subsidy</b>	<b>Total Liability</b>
Actuarial Accrued Liability			
- Retirees	\$ 28,047,656	\$ 3,227,560	\$ 31,275,216
- Active Employees	<u>40,379,305</u>	<u>4,143,362</u>	<u>44,522,667</u>
- Total	\$ 68,426,961	\$ 7,370,922	\$ 75,797,883
Assets	\$ 839,626	\$ 0	\$ 839,626
Unfunded Accrued Liability (UAAL)	<b>\$ 67,587,335</b>	<b>\$ 7,370,922</b>	<b>\$ 74,958,257</b>
Normal Cost	\$ 2,342,725	\$ 226,056	\$ 2,568,781
Amortization of UAL	\$ 4,502,196	\$ 490,999	\$ 4,993,194
<b>Total ARC</b>	<b>\$ 6,844,921</b>	<b>\$ 717,055</b>	<b>\$ 7,561,975</b>
Normal Cost % of pay	3.33%	0.32%	3.65%
Amortization of UAL % of pay	6.40%	0.69%	7.10%
<b>Total Cost (ARC as % of pay)</b>	<b>9.73%</b>	<b>1.01%</b>	<b>10.75%</b>

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**SECTION I  
SUMMARY OF RESULTS**

The table below shows the expected net benefit payments for the next 20 years. These payments include the expected annual implicit subsidy as well as expected plan premium payments. The implicit subsidy payments are shown because these payments are included as a plan contribution under the GASB accounting standards.

<b>Fiscal Year Ending June 30</b>	<b>Expected Net Benefit Payments</b>	<b>Expected Implicit Subsidy</b>	<b>Total Benefit Payments</b>	<b>Fiscal Year Ending June 30</b>	<b>Expected Net Benefit Payments</b>	<b>Expected Implicit Subsidy</b>	<b>Total Benefit Payments</b>
2014	\$ 2,494,000	\$ 156,000	\$ 2,650,000	2024	\$ 4,502,000	\$ 522,000	\$ 5,024,000
2015	2,661,000	191,000	2,852,000	2025	4,695,000	581,000	5,276,000
2016	2,839,000	218,000	3,057,000	2026	4,887,000	642,000	5,529,000
2017	3,031,000	241,000	3,272,000	2027	5,092,000	727,000	5,819,000
2018	3,246,000	293,000	3,539,000	2028	5,274,000	780,000	6,054,000
2019	3,465,000	336,000	3,801,000	2029	5,362,000	737,000	6,099,000
2020	3,659,000	342,000	4,001,000	2030	5,498,000	762,000	6,260,000
2021	3,868,000	375,000	4,243,000	2031	5,678,000	860,000	6,538,000
2022	4,083,000	418,000	4,501,000	2032	5,730,000	790,000	6,520,000
2023	4,259,000	416,000	4,675,000	2033	5,849,000	823,000	6,672,000

The remainder of this report provides additional detail. First, we develop the GASB valuation results and illustrate the sensitivity of the GASB results to changes in the healthcare trend rates. We conclude with disclosure information needed to satisfy the GASB OPEB accounting and financial reporting requirements.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**SECTION II  
GASB VALUATION RESULTS**

The development of the unfunded actuarial liability (UAL) is shown below.

<b>Table II-1 Unfunded Actuarial Liability</b>		
<b>Valuation Date</b>	<b>6/30/2013</b>	<b>6/30/2011</b>
<b>Actuarial Accrued Liability</b>		
Miscellaneous	\$ 19,600,447	\$ 17,580,936
Firefighter	12,822,540	12,687,117
Police	<u>43,374,897</u>	<u>38,686,935</u>
<b>Total</b>	<b>\$ 75,797,884</b>	<b>\$ 68,954,988</b>
<b>Assets</b>	<b>\$ 839,626</b>	<b>\$ 517,364</b>
<b>Unfunded Actuarial Liability (UAL)</b>	<b>\$ 74,958,258</b>	<b>\$ 68,437,624</b>

The Annual Required Contribution (ARC) under GASB 45 consists of two parts: (1) the *normal cost*, which represents the annual cost attributable to service earned in a given year, and (2) the amortization of the unfunded actuarial liability (UAL).

The UAL as of June 30, 2013 is amortized as a level dollar amount over a closed 30-year period, with 24 years remaining as of June 30, 2013. The Annual Required Contribution (ARC) at June 30, 2013 is developed in the table below.

<b>Table II-2 Development of Actuarial Cost</b>				
<b>Group</b>	<b>Miscellaneous</b>	<b>Firefighters</b>	<b>Police Officers</b>	<b>Total</b>
Fully Projected Liability	\$ 24,922,682	\$ 16,087,443	\$ 62,481,661	\$ 103,491,786
EAN Actuarial Accrued Liability (AAL)	19,600,447	12,822,540	43,374,897	75,797,884
Actuarial Value of Assets	<u>75,419</u>	<u>764,207</u>	<u>0</u>	<u>839,626</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 19,525,028	\$ 12,058,333	\$ 43,374,897	\$ 74,958,258
Normal Cost	\$ 582,546	\$ 300,357	\$ 1,685,878	\$ 2,568,781
Amortization of UAL (24 Years, level \$)	\$ 1,300,621	\$ 803,242	\$ 2,889,332	\$ 4,993,194
Projected Payroll (FY 2014)	\$ 39,597,544	\$ 12,419,908	\$ 19,444,372	\$ 71,461,824
Normal Cost (% Pay)	1.47%	2.42%	8.67%	3.59%
Amortization Cost (% Pay)	3.28%	6.47%	14.86%	6.99%
<b>Total Cost (% Pay)</b>	<b>4.76%</b>	<b>8.89%</b>	<b>23.53%</b>	<b>10.58%</b>
<b>Annual Required Cost (ARC) for Fiscal 2014</b>	<b>\$ 1,883,167</b>	<b>\$ 1,103,599</b>	<b>\$ 4,575,210</b>	<b>\$ 7,561,975</b>

Note that the total ARC shown above includes the value of the implicit subsidy.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**SECTION II  
GASB VALUATION RESULTS**

The table below shows the ARC calculation without the liability for the implicit subsidy.

<b>Table II-3 Development of Actuarial Cost - Explicit Liability Only</b>				
<b>Group</b>	<b>Miscellaneous</b>	<b>Firefighters</b>	<b>Police Officers</b>	<b>Total</b>
Fully Projected Liability	\$ 24,922,682	\$ 16,087,443	\$ 52,611,824	\$ 93,621,949
EAN Actuarial Accrued Liability (AAL)	19,600,447	12,822,540	36,003,975	68,426,962
Actuarial Value of Assets	<u>75,419</u>	<u>764,207</u>	<u>0</u>	<u>839,626</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 19,525,028	\$ 12,058,333	\$ 36,003,975	\$ 67,587,336
Normal Cost	\$ 582,546	\$ 300,357	\$ 1,459,822	\$ 2,342,725
Amortization of UAL (24 Years, level \$)	\$ 1,300,621	\$ 803,242	\$ 2,398,333	\$ 4,502,195
Projected Payroll (FY 2014)	\$ 39,597,544	\$ 12,419,908	\$ 19,444,372	\$ 71,461,824
Normal Cost (% Pay)	1.47%	2.42%	7.51%	3.28%
Amortization Cost (% Pay)	3.28%	6.47%	12.33%	6.30%
<b>Total Cost (% Pay)</b>	<b>4.76%</b>	<b>8.89%</b>	<b>19.84%</b>	<b>9.58%</b>
<b>Annual Required Cost (ARC) for Fiscal 2014</b>	<b>\$ 1,883,167</b>	<b>\$ 1,103,599</b>	<b>\$ 3,858,155</b>	<b>\$ 6,844,920</b>

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**SECTION II  
GASB VALUATION RESULTS**

<b>Table II-4 Development of Actuarial Cost by Business Unit - Including the Implicit Subsidy</b>												
<b>Group</b>	<b>Clerical</b>	<b>Maintenance</b>	<b>Confidential</b>	<b>Prof &amp; Tech</b>	<b>HAME</b>	<b>Temporary</b>	<b>Unrepresented</b>	<b>Appointed</b>	<b>Elected</b>	<b>Fire</b>	<b>Police</b>	<b>Total</b>
Fully Projected Liability	\$ 7,404,608	\$ 5,958,136	\$ 522,022	\$ 4,885,800	\$ 4,621,677	\$ 20,441	\$ 1,300,558	\$ 32,675	\$ 176,765	\$ 16,087,443	\$ 62,481,661	\$ 103,491,786
EAN Actuarial Accrued Liability (AAL)	5,463,527	4,844,368	438,963	3,749,939	3,897,749	11,723	1,052,816	29,878	111,484	12,822,540	43,374,897	75,797,884
Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>764,207</u>	<u>0</u>	<u>839,626</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,463,527	\$ 4,844,368	\$ 438,963	\$ 3,674,520	\$ 3,897,749	\$ 11,723	\$ 1,052,816	\$ 29,878	\$ 111,484	\$ 12,058,333	\$ 43,374,897	\$ 74,958,258
Normal Cost	\$ 188,675	\$ 127,610	\$ 7,668	\$ 133,694	\$ 86,603	\$ 643	\$ 28,009	\$ 742	\$ 8,902	\$ 300,357	\$ 1,685,878	\$ 2,568,781
Amortization of UAL (24 Years, level \$)	\$ 363,942	\$ 322,698	\$ 29,241	\$ 244,771	\$ 259,641	\$ 781	\$ 70,131	\$ 1,990	\$ 7,426	\$ 803,242	\$ 2,889,332	\$ 4,993,194
Projected Payroll (FY 2014)	\$ 13,859,443	\$ 7,850,032	\$ 803,201	\$ 8,002,545	\$ 6,011,727	\$ 132,979	\$ 2,788,199	\$ 42,070	\$ 107,348	\$ 12,419,908	\$ 19,444,372	\$ 71,461,824
Normal Cost (% Pay)	1.36%	1.63%	0.95%	1.67%	1.44%	0.48%	1.00%	1.76%	8.29%	2.42%	8.67%	3.59%
Amortization Cost (% Pay)	2.63%	4.11%	3.64%	3.06%	4.32%	0.59%	2.52%	4.73%	6.92%	6.47%	14.86%	6.99%
<b>Total Cost (% Pay)</b>	<b>3.99%</b>	<b>5.74%</b>	<b>4.60%</b>	<b>4.73%</b>	<b>5.76%</b>	<b>1.07%</b>	<b>3.52%</b>	<b>6.49%</b>	<b>15.21%</b>	<b>8.89%</b>	<b>23.53%</b>	<b>10.58%</b>
<b>Annual Required Cost (ARC) for Fiscal 2014</b>	<b>\$ 552,617</b>	<b>\$ 450,308</b>	<b>\$ 36,909</b>	<b>\$ 378,465</b>	<b>\$ 346,244</b>	<b>\$ 1,424</b>	<b>\$ 98,140</b>	<b>\$ 2,732</b>	<b>\$ 16,328</b>	<b>\$ 1,103,599</b>	<b>\$ 4,575,210</b>	<b>\$ 7,561,975</b>
<b>Projected Contribution for Fiscal 2014</b>	<b>\$ 65,120</b>	<b>\$ 27,068</b>	<b>\$ 3,168</b>	<b>\$ 70,560</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 165,916</b>
<b>Development of Actuarial Cost by Business Unit - Explicit Liability Only</b>												
EAN Actuarial Accrued Liability (AAL)	\$ 5,463,527	\$ 4,844,368	\$ 438,963	\$ 3,749,939	\$ 3,897,749	\$ 11,723	\$ 1,052,816	\$ 29,878	\$ 111,484	\$ 12,822,540	\$ 36,003,975	\$ 68,426,962
Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,419</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>764,207</u>	<u>0</u>	<u>839,626</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 5,463,527	\$ 4,844,368	\$ 438,963	\$ 3,674,520	\$ 3,897,749	\$ 11,723	\$ 1,052,816	\$ 29,878	\$ 111,484	\$ 12,058,333	\$ 36,003,975	\$ 67,587,336
Normal Cost	\$ 188,675	\$ 127,610	\$ 7,668	\$ 133,694	\$ 86,603	\$ 643	\$ 28,009	\$ 742	\$ 8,902	\$ 300,357	\$ 1,459,822	\$ 2,342,725
Amortization of UAL (24 Years, level \$)	\$ 363,942	\$ 322,698	\$ 29,241	\$ 244,771	\$ 259,641	\$ 781	\$ 70,131	\$ 1,990	\$ 7,426	\$ 803,242	\$ 2,398,333	\$ 4,502,195
Projected Payroll (FY 2014)	\$ 13,859,443	\$ 7,850,032	\$ 803,201	\$ 8,002,545	\$ 6,011,727	\$ 132,979	\$ 2,788,199	\$ 42,070	\$ 107,348	\$ 12,419,908	\$ 19,444,372	\$ 71,461,824
Normal Cost (% Pay)	1.36%	1.63%	0.95%	1.67%	1.44%	0.48%	1.00%	1.76%	8.29%	2.42%	7.51%	3.28%
Amortization Cost (% Pay)	2.63%	4.11%	3.64%	3.06%	4.32%	0.59%	2.52%	4.73%	6.92%	6.47%	12.33%	6.30%
<b>Total Cost (% Pay)</b>	<b>3.99%</b>	<b>5.74%</b>	<b>4.60%</b>	<b>4.73%</b>	<b>5.76%</b>	<b>1.07%</b>	<b>3.52%</b>	<b>6.49%</b>	<b>15.21%</b>	<b>8.89%</b>	<b>19.84%</b>	<b>9.58%</b>
<b>Annual Required Cost (ARC) for Fiscal 2014</b>	<b>\$ 552,617</b>	<b>\$ 450,308</b>	<b>\$ 36,909</b>	<b>\$ 378,465</b>	<b>\$ 346,244</b>	<b>\$ 1,424</b>	<b>\$ 98,140</b>	<b>\$ 2,732</b>	<b>\$ 16,328</b>	<b>\$ 1,103,599</b>	<b>\$ 3,858,155</b>	<b>\$ 6,844,920</b>

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION II**  
**GASB VALUATION RESULTS**

***Reconciliation***

The table below provides an estimate of the major factors contributing to the change in liability since the last valuation report.

<b>Table II-5</b>	
<b>Reconciliation of Actuarial Liability</b>	
Expected Actuarial Liability at 6/30/2013	\$ 74,806,316
Actual Liability as of 6/30/2013	\$ 75,797,884
<b>(Gain) or Loss</b>	<b>\$ 991,568</b>
Changes due to:	
Changes in Actuarial Assumptions	6,500,710
Plan Amendments	(47,008)
Method Change	6,026,562
Other Changes	(11,488,696)
<b>Total Changes</b>	<b>\$ 991,568</b>

- *Changes in Actuarial Assumptions* includes the effects of the updated trend rates, as described in Appendix A.
- *Plan Amendments* include the effects of the Police group plan change, as described in Appendix B.
- *Method Change* refers to the change to include the implicit subsidy as described on page 1.
- *Other Changes* includes the effect of updating the participant data, transitioning to the Cheiron valuation system and updating the MEC, subsidy and premium amounts.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**SECTION III  
SENSITIVITY OF RESULTS**

The liabilities and ARC produced in this report are sensitive to the assumptions used. The tables below show the impact of a 1% increase or decrease in the healthcare trend rates on the GASB actuarial liability and the ARC to provide some measure of sensitivity.

<b>Table III-1</b>				
<b>(Sensitivity of Healthcare Trends)</b>				
	<b>- 1%</b>	<b>Valuation</b>	<b>+ 1%</b>	
Retirees and Beneficiaries	\$ 40,830,858	\$ 31,275,216	\$ 49,235,961	
Active Employees	<u>26,059,322</u>	<u>44,522,667</u>	<u>38,036,781</u>	
Total	\$ 66,890,180	\$ 75,797,883	\$ 87,272,742	
Assets	<u>\$ 839,626</u>	<u>\$ 839,626</u>	<u>\$ 839,626</u>	
Unfunded Actuarial Liability (UAL)	\$ 66,050,554	\$ 74,958,257	\$ 86,433,116	

<b>Table III-2</b>				
<b>(Sensitivity of Healthcare Trends)</b>				
	<b>- 1%</b>	<b>Valuation</b>	<b>+ 1%</b>	
Normal Cost	\$ 2,165,377	\$ 2,568,781	\$ 3,281,832	
UAL Amortization	<u>4,558,238</u>	<u>4,993,194</u>	<u>5,895,132</u>	
Total	\$ 6,723,615	\$ 7,561,975	\$ 9,176,964	

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION IV  
ACCOUNTING DISCLOSURES**

**Statement 45 of the Governmental Accounting Standards Board (GASB)** established standards for accounting and financial reporting of Other Post-Employment Benefit (OPEB) information by governmental employers and plans. In accordance with those statements, we have prepared the following disclosures.

***Net OPEB Obligation***

The table below shows the development of the Net OPEB Obligation for the fiscal years ending June 30, 2012 and 2013, and projects the Net OPEB Obligation for the fiscal year ending June 30, 2014.

<b>Table IV-1 Development of Net OPEB Obligation</b>			
<b>Fiscal Year Ending</b>	<b>Projected</b>		
	<b>6/30/2014</b>	<b>6/30/2013*</b>	<b>6/30/2012*</b>
<b>1. Net OPEB Obligation, beginning of year</b>	<b>\$ 18,671,822</b>	<b>\$ 14,965,278</b>	<b>\$ 11,193,262</b>
2. Annual Required Contribution	\$ 7,561,975	\$ 6,640,457	\$ 6,568,850
3. Interest on Net OPEB Obligation	858,904	688,403	514,890
4. Adjustment to Annual Required Contribution	(1,243,786)	(1,096,399)	(802,601)
5. Annual OPEB Cost (2.) + (3.) - (4.)	<b>\$ 7,177,093</b>	<b>\$ 6,232,461</b>	<b>\$ 6,281,139</b>
6. <i>Expected</i> / Actual Employer Contributions	2,659,000	2,525,917	2,509,123
7. <i>Expected</i> / Actual Implicit Subsidy Payment**	156,172	N/A	N/A
<b>8. Net OPEB Obligation, end of year</b> <b>(1.) + (5.) - (6.) - (7.)</b>	<b>\$ 23,033,743</b>	<b>\$ 18,671,822</b>	<b>\$ 14,965,278</b>

*Estimated figures shown in italics*

\* The 6/30/2013 and 6/30/2012 results are from the City of Hayward's Comprehensive Annual Funding Report

\*\* The implicit subsidy was first measured as of the June 30, 2013 valuation.

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**SECTION IV  
ACCOUNTING DISCLOSURES**

*Schedule of Funding Progress*

The schedule of funding progress compares the assets used for funding purposes to the comparable liabilities to determine how well the Plan is funded and how this status has changed over the past several years. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The actuarial liability under GASB is determined assuming that the Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

<b>Table IV-2 Schedule of Funding Progress</b>						
<b>Fiscal year Beginning July 1</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liabilities (b)</b>	<b>Unfunded Actuarial Liabilities (UAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>(UAL) as Percentage of Covered Payroll ((b-a)/c)</b>
2013	\$ 839,626	\$ 75,797,883	\$ 74,958,257	1.11%	\$ 70,319,000	106.60%
2011	517,364	68,954,988	68,437,624	0.75%	69,009,000	99.17%

*History of Employer Contributions*

The history of employer contributions shows whether the employer has made contributions that are consistent with the parameters established by GASB for calculating the ARC and the annual OPEB expense.

<b>Table IV-3 Schedule of Employer Contributions</b>				
<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contributions</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
2014	\$ 7,177,093	To Be Determined	To Be Determined	To Be Determined
2013*	6,232,461	\$ 2,525,917	40.5%	\$ 18,671,822
2012*	6,281,139	2,509,123	39.9%	14,965,278
2011*	6,102,153	2,700,792	44.3%	11,193,262
2010*	5,710,526	2,330,861	40.8%	7,791,901
2009*	6,471,992	2,059,756	31.8%	4,412,236

\* These results are from the City of Hayward's Comprehensive Annual Funding Report.

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**SECTION IV  
ACCOUNTING DISCLOSURES**

We have also provided a *Note to Required Supplementary Information* for the financial statements.

**Table IV-4  
Note to Required Supplementary Information**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, closed
Single Equivalent Amortization Period	24 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Payroll Growth Rate	3.25%
Discount Rate	4.60%
Ultimate Rate of Medical Inflation	5.00%

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**APPENDIX A  
MEMBER DATA, ASSUMPTIONS AND METHODS**

**Member Data**

	July 1, 2011	June 30, 2013	% Change
Active Employees			
Count	792	721	(8.96%)
Average Age	44.0	44.3	0.64%
Average Service	12.5	12.7	1.20%
Total Payroll	\$ 69,008,544	\$ 70,319,137	1.90%
Count of Retired Participants and Spouses	525	551	4.95%
Average Age	68.8	68.0	(1.21%)
Count of Disabled Participants and Spouses	150	190	26.67%
Average Age	61.8	62.0	0.28%
Count of Surviving Spouses	69	63	(8.70%)
Average Age	71.5	76.1	6.43%
Total Count of Inactive Participants	744	804	8.06%

**Detailed Member Data as of June 30, 2013:**

Age	Eligible Active Employees							Total
	Under 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 and Up	
<b>Under 25</b>	4	0	0	0	0	0	0	<b>4</b>
<b>25 - 29</b>	31	19	0	0	0	0	0	<b>50</b>
<b>30 - 34</b>	41	43	13	0	0	0	0	<b>97</b>
<b>35 - 39</b>	29	34	41	4	0	0	0	<b>108</b>
<b>40 - 44</b>	12	16	59	18	8	1	0	<b>114</b>
<b>45 - 49</b>	17	22	29	25	27	11	0	<b>131</b>
<b>50 - 54</b>	7	8	15	20	21	31	3	<b>105</b>
<b>55 - 59</b>	4	11	16	6	17	9	10	<b>73</b>
<b>60 - 64</b>	2	4	6	6	4	1	3	<b>26</b>
<b>65 and Up</b>	1	4	3	0	4	0	1	<b>13</b>
<b>Total</b>	<b>148</b>	<b>161</b>	<b>182</b>	<b>79</b>	<b>81</b>	<b>53</b>	<b>17</b>	<b>721</b>

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**APPENDIX A  
MEMBER DATA, ASSUMPTIONS AND METHODS**

**Reconciliation of Counts since last Valuation:**

<b>Data Reconciliation</b>					
	<u>Active</u>	<u>Surviving Spouse</u>	<u>Disabled</u>	<u>Retired</u>	<u>Total</u>
<b>Members on July 30, 2011*</b>	<b>792</b>	<b>60</b>	<b>113</b>	<b>352</b>	<b>1,317</b>
<b>Active</b>					
To Disabled	(12)		12		<b>0</b>
To Retired	(41)			41	<b>0</b>
<b>Retired</b>					
To Disabled			2	(2)	<b>0</b>
Additions or Data Corrections	75	10	6	12	<b>103</b>
Deceased or Terminated	(93)	(7)	(2)	(35)	<b>(137)</b>
Net Change	<u>(71)</u>	<u>3</u>	<u>18</u>	<u>16</u>	<u>(34)</u>
<b>Members on July 30, 2013</b>	<b>721</b>	<b>63</b>	<b>131</b>	<b>368</b>	<b>1,283</b>

\* July 30, 2011 Count of only Members with coverage (no dependents or retirees waiving coverage)

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX A  
MEMBER DATA, ASSUMPTIONS AND METHODS**

Medical Plan	Medical Plan Election			Total
	Active Participants	Pre-Medicare Inactive Participants	Medicare Eligible Inactive Participants	
<b>Blue Shield</b>				
Single Coverage	48	27	21	<b>96</b>
Dual Coverage	40	12	19	<b>71</b>
Family Coverage	143	11	0	<b>154</b>
<b>Blue Shield NetValue</b>				
Single Coverage	1	2	1	<b>4</b>
Dual Coverage	2	0	2	<b>4</b>
Family Coverage	0	0	0	<b>0</b>
<b>Kaiser</b>				
Single Coverage	70	70	104	<b>244</b>
Dual Coverage	79	43	63	<b>185</b>
Family Coverage	192	12	4	<b>208</b>
<b>PERS-Care</b>				
Single Coverage	3	1	29	<b>33</b>
Dual Coverage	2	2	16	<b>20</b>
Family Coverage	0	0	0	<b>0</b>
<b>PERS-Choice</b>				
Single Coverage	10	17	28	<b>55</b>
Dual Coverage	8	12	27	<b>47</b>
Family Coverage	12	1	0	<b>13</b>
<b>PERS-Select</b>				
Single Coverage	0	2	0	<b>2</b>
Dual Coverage	0	1	1	<b>2</b>
Family Coverage	0	0	0	<b>0</b>
<b>PORAC Select</b>				
Single Coverage	9	9	7	<b>25</b>
Dual Coverage	5	6	6	<b>17</b>
Family Coverage	20	5	0	<b>25</b>
Waived Coverage or Ineligible	77	96	113	<b>286</b>
<b>Total</b>	<b>721</b>	<b>329</b>	<b>441</b>	<b>1,491</b>

CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013

**APPENDIX A**  
**MEMBER DATA, ASSUMPTIONS AND METHODS**

**Economic Assumptions:**

- 1. **Expected Return on Trust Assets:** 7.61% per year
- 2. **Expected Return on Assets for Benefits:** 4.5% per year
- 3. **Discount Rate** 4.6% per year
- 4. **Payroll Growth Rate:** 3.25% per year
- 5. **Per Person Cost Trends:**

Year	Trends	
	Pre Med	Post Med
2013	9.00%	6.00%
2014	8.73	5.93
2015	8.47	5.87
2016	8.20	5.80
2017	7.93	5.73
2018	7.67	5.67
2019	7.40	5.60
2020	7.13	5.53
2021	6.87	5.47
2022	6.60	5.40
2023	6.33	5.33
2024	6.07	5.27
2025	5.80	5.20
2026	5.53	5.13
2027	5.27	5.07
2028+	5.00	5.00

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**APPENDIX A  
MEMBER DATA, ASSUMPTIONS AND METHODS**

**Demographic Assumptions:**

**1. Retirement Rates:**

Rates of retirement are based on the CalPERS age, with additional service-based assumptions for public safety members. For public safety members, the representative rates shown below are based on an employee with 25 years of service at retirement.

<b>Age</b>	<b>General</b>	<b>Police</b>	<b>Fire</b>
50	5.5%	19.3%	6.8%
51	4.3	13.9	9.2
52	4.3	17.1	13.8
53	5.5	19.2	16.6
54	8.9	19.7	20.4
55	18.4	25.0	25.2
56	11.5	19.1	24.1
57	12.7	22.3	20.1
58	15.0	24.2	23.5
59	17.3	25.1	19.9
60	18.4	37.7	29.9
61	17.3	25.1	19.9
62	25.3	31.4	24.9
63	21.9	25.1	19.9
64	21.9	25.1	19.9
65	29.9	100.0	100.0
66	21.9	100.0	100.0
67	21.9	100.0	100.0
68	21.9	100.0	100.0
69	21.9	100.0	100.0
70	26.2	100.0	100.0
71	26.2	100.0	100.0
72	26.2	100.0	100.0
73	26.2	100.0	100.0
74	26.2	100.0	100.0
75 and Over	100.0	100.0	100.0

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX A  
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**Termination / Refund Rates:**

Rates of termination for all employees from causes other than death, disability, and service retirement are based on the CalPERS age and service based assumptions. Sample rates of termination for a member hired at age 30 are shown below.

<b>Years of Service</b>	<b>General</b>	<b>Police</b>	<b>Fire</b>
0	16.06%	10.13%	9.47%
1	14.09	6.36	7.39
2	12.12	2.71	5.31
3	10.15	2.58	3.23
4	8.18	2.45	2.90
5	7.11	2.49	2.57
10	5.07	1.79	0.90
15	3.47	1.09	0.79
20	0.21	0.17	0.16
25	0.05	0.12	0.10

**2. Rate of Mortality:**

*Retired Employee:*

Rates of mortality for retired employees and their beneficiaries are based on the CalPERS assumptions. Sample rates are shown below.

<b>Age</b>	<b>Male</b>	<b>Female</b>
50	0.239%	0.125%
55	0.474	0.243
60	0.720	0.431
65	1.069	0.775
70	1.675	1.244
75	3.080	2.071
80	5.270	3.749
85	9.775	7.005
90	16.747	12.404
95	25.659	21.556
100	34.551	31.876

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX A  
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*Disabled Employee:*

Rates of mortality for disabled employees are based on the CalPERS assumptions. Sample rates are shown below.

<b>Age</b>	<b>Ordinary Male</b>	<b>Ordinary Female</b>	<b>Duty Male</b>	<b>Duty Female</b>
50	1.632%	1.245%	0.443%	0.356%
55	1.936	1.580	0.563	0.546
60	2.293	1.628	0.777	0.798
65	3.174	1.969	1.388	1.184
70	3.870	3.019	2.236	1.716
75	6.001	3.915	3.585	2.665
80	8.388	5.555	6.926	4.528
85	14.035	9.577	11.799	8.017
90	21.554	14.949	16.575	13.775
95	31.025	23.055	26.108	23.331
100	45.905	37.662	40.918	35.165

*Active Employee:*

Rates of mortality for active employees are based on the CalPERS assumptions. Sample rates are shown below.

<b>Age</b>	<b>Male</b>	<b>Female</b>
20	0.047%	0.016%
30	0.053	0.036
40	0.087	0.065
50	0.176	0.126
55	0.260	0.176

In addition, public safety members are also assumed to experience duty-related mortality based on the CalPERS assumptions, given by the following representative rates:

<b>Age</b>	<b>Public Safety (Male and Female)</b>
20	0.003%
30	0.010
40	0.013
50	0.015
55	0.016



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<b>Years of Service</b>	<b>General</b>	<b>Police</b>	<b>Fire</b>
0	12.35%	10.90%	10.51%
1	10.51	9.35	9.45
2	9.16	8.19	8.38
3	8.09	7.12	7.61
4	7.22	6.25	6.93
5	6.64	5.67	6.35
10	4.80	4.41	4.80
15	4.32	4.12	4.12
20	3.93	3.83	3.83
25	3.93	3.83	3.83
30	3.93	3.83	3.83

5. **Percent of Retirees Electing Coverage:** 80% of all active members (90% for Safety members) are assumed to elect medical coverage upon retirement.
6. **Plan Election:** Active members are assumed to enroll in the various plans at retirement in the same proportions as their current enrollment.
7. **Family Composition:** 65% of members are assumed to cover a spouse at retirement.
8. **Dependent Age:** For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be three years younger than their partner.
9. **Average Premiums Used For Active Employees:**

<u>Plan</u>	<u>Non Police</u>		<u>Police</u>	
	<u>Pre-65</u>	<u>Post-65</u>	<u>Pre-65</u>	<u>Post-65</u>
<b>Weighted Average Premium Used</b>	\$ 738.79	\$ 304.52	\$ 730.23	\$ 321.55

**Changes Since Last Valuation**

The per person cost trends were updated to reflect anticipated experience. The weighted average premiums were updated based upon the current retiree population plan elections.

**Methodology:**

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the postemployment benefits between each member's date of hire and assumed retirement. The

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

actuarial liability is the difference between the present value of future benefits and the present value of future normal cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

The claims costs for the Police, excluding members in the Police bargaining unit hired after 5/1/2012 and members in the Police management bargaining unit hired after 6/12/2012, are based on the Kaiser Bay Area fully insured premiums charged to the City for the active and retiree population in 2013 and 2014.

For Police costs, the resulting per person per month (PPPM) cost was then adjusted using the CALPERS age curves to develop the expected cost of the medical benefits based on the covered individuals age and sex.

*Expected Police Blended Claim Costs for Calendar Year 2013:*

**Average Claim and Expense Assumptions:  
For Calendar Year 2013:**

<u>Age</u>	<b>Kaiser Bay Area Medical/Drug</b>	
	<u>Male</u>	<u>Female</u>
40	\$ 4,375	\$ 5,774
45	\$ 5,433	\$ 6,588
50	\$ 7,073	\$ 7,832
55	\$ 9,219	\$ 9,485
60	\$ 11,851	\$ 11,257
64	\$ 13,676	\$ 11,788
65	\$ 2,969	\$ 2,799
70	\$ 3,387	\$ 3,109
75	\$ 3,824	\$ 3,435
80	\$ 4,278	\$ 3,775
85	\$ 4,733	\$ 3,975

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

**Amortization Cost**

The actuarial value of the assets on hand to pay future benefits is subtracted from the *Actuarial Accrued Liability*, producing the *Unfunded Actuarial Accrued Liability*.

The *Unfunded Actuarial Accrued Liability* determined from this valuation is amortized as a level percent of pay amount over a closed 30 year period, with 24 years remaining as of the valuation date. The payment for a given year is expressed as a percentage of projected active member payroll for that year. This percentage is the *Amortization Rate*.

The sum of the *Normal Cost Rate* and the *Amortization Rate* is the City's *Contribution Rate*. The City's actuarial cost for a given year is determined by multiplying the active payroll by the *Contribution Rate*.

**Actuarial Value of Plan Assets**

The City of Hayward contributes funds to a Trust account with PARS. As of June 30, 2013, the market value of assets was \$839,629. The actuarial value of assets is equal to the market value.

**Funding**

The cost of the benefits provided by the Plan is current being paid by the City on a pay-as-you-go basis.

In addition, employee and employer contributions to the CERBT are being made as follows:

<b>Group</b>	<b>Funding Policy</b>
Clerical	\$44.00 per pay period effective February 24, 2014
Maintenance	\$33.50 per pay period effective February 24, 2014
Confidential	\$44.00 per pay period effective February 24, 2014
Professional & Technical	\$35.00 per pay period
HAME	\$52.00 per pay period effective July 1, 2014
Unrepresented	No contribution
HPOA	1% of pay employer contribution effective July 1, 2014
Police Management	1% of pay employer contribution effective July 1, 2014
Fire	No contribution until FY 2019
Fire Management	No contribution until FY 2019
Elected	No contribution

**Changes Since The Last Valuation:**

The valuation method was changed to include the implicit subsidy, as fully described on pages 1 and 2. The City's funding policy was also updated, as shown in the table above.

**APPENDIX B**  
**SUBSTANTIVE PLAN PROVISIONS**

**Summary of Key Substantive Plan Provisions:**

**Eligibility:** An employee is eligible to receive the Minimum Employer Contribution (MEC) as a contribution towards Public Employees' Medical and Hospital Care Act (PEMHCA) premiums, if all criteria listed below are met:

1. The employee is eligible for retirement as defined under the CalPERS retirement system; and
2. The employee retires within 120 days of the effective date of separation from employment with the City of Hayward; and
3. The employee is enrolled in a medical plan offered by the City of Hayward.

An employee is also eligible to receive an additional lifetime benefit if he/she meets one of the following service requirements:

4. The employee is a member of the Fire Management unit, or is Unrepresented or an Elected Official, and the employee has five or more years of service with the City of Hayward; or
5. The employee is a member of one of the other bargaining units for the City of Hayward, and the employee has ten or more years of service with the City of Hayward.

In addition, the survivor of a retired employee who qualifies to receive this benefit is also entitled to receive the medical benefit provided he or she has been designated to receive a survivor's pension benefit from CalPERS and is enrolled in one of the City's medical plans.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

**Benefits:** Eligible retirees receive a City paid medical benefit in an amount shown in the table below (for 2013), paid as a direct payment to the CalPERS medical insurance plan (MEC payment) and/or a supplemental payment to the retiree, subject to a maximum amount equal to the member's actual premium.

<b>Group</b>	<b>Monthly MEC Payment</b>	<b>Additional Benefit</b>	<b>Total Maximum Monthly Benefit</b>
Clerical	\$115.00	\$159.72	\$274.72
Maintenance	115.00	159.72	274.72
Confidential	115.00	159.72	274.72
Professional & Technical	115.00	159.72	274.72
HAME	115.00	159.72	274.72
Unrepresented	115.00	159.72	274.72
Police hired after 5/01/2012	115.00	393.30	508.30
Police hired on or before 5/01/2012	115.00	553.63	668.63
Police Mgmt hired after 6/12/2012	115.00	393.30	508.30
Police Mgmt hired on or before 6/12/2012	115.00	553.63	668.63
Fire	115.00	393.30	508.30
Fire Mgmt	115.00	393.30	508.30
Elected	115.00	122.31	237.31

The benefit amount for the Police bargaining unit hired on or before 5/1/2012 and Police management bargaining unit hired on or before 6/12/2012 is set to be equal to the Kaiser Bay Area single party rate (\$668.63 for 2013). The benefit amounts for all other bargaining units are determined under the negotiating process.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

**Premiums:** Monthly medical premiums for 2013 and 2014 are shown below:

<u>Plan</u>	<b>2013</b>		<b>2014</b>	
	<u>Pre-65</u>	<u>Post-65</u>	<u>Pre-65</u>	<u>Post-65</u>
Blue Shield Access+ Bay Area	\$ 784.63	\$ 261.32	\$ 836.59	\$ 298.21
Blue Shield Access+ Sacramento Area	702.75	261.32	734.87	298.21
Blue Shield Access+ Los Angeles Area	530.75	261.32	469.91	298.21
Blue Shield Access+ Other Southern California	643.93	261.32	543.21	298.21
Blue Shield Access+ Other Northern California	777.53	261.32	729.76	298.21
Blue Shield NetValue Bay Area	670.21	261.32	704.01	298.21
Blue Shield NetValue Sacramento Area	606.11	261.32	618.39	298.21
Kaiser Permanente Bay Area	668.63	288.37	742.72	294.97
Kaiser Permanente Sacramento Area	613.42	288.37	681.59	294.97
Kaiser Permanente Los Angeles Area	502.40	288.37	541.79	294.97
Kaiser Permanente Other Southern California	558.95	288.37	602.79	294.97
Kaiser Permanente Other Northern California	671.68	288.37	745.30	294.97
Kaiser Permanente Out of State	876.46	371.89	917.20	388.65
Peace Officers Research Association of California	581.00	418.00	634.00	397.00
PERS Choice Bay Area	667.03	325.74	690.77	307.23
PERS Choice Sacramento Area	620.49	325.74	665.99	307.23
PERS Choice Other Southern California	611.30	325.74	612.25	307.23
PERS Choice Other Northern California	649.78	325.74	641.08	307.23
PERS Choice Out of State	754.21	325.74	706.40	307.23
PERS Select Bay Area	487.20	325.74	661.52	307.23
PERS Select Other Northern California	474.61	325.74	613.99	307.23
PERSCare Bay Area	1,083.11	370.43	720.04	327.36
PERSCare Sacramento Area	1,007.54	370.43	694.26	327.36
PERSCare Other Southern California	992.61	370.43	638.22	327.36
PERSCare Other Northern California	1,055.10	370.43	668.27	327.36
PERSCare Out of State	1,224.67	370.43	736.32	327.36

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

**Summary of Benefit Plans**

<b>Benefit Option Name Last Modified Provider Network</b>	<b>Blue Shield Access+ 1/1/2013 Blue Shield of CA</b>	<b>Blue Shield NetValue 1/1/2013 Blue Shield of CA</b>	<b>Kaiser 1/1/2013 Kaiser</b>
<b><u>In-Network (INN) Benefits</u></b>			
Deductible (Individual / Family)	\$0/\$0	\$0/\$0	\$0/\$0
Coinsurance	0%	0%	0%
Copays			
Office Visit - Primary Care (PCP)	\$10	\$10	\$10
OV - Specialist Care Provider (SCP)	\$10/\$30	\$10/\$30	\$10
Urgent Care (UC)	\$25	\$25	\$10
Emergency Room (ER) Non-admitted	\$50	\$50	\$50
Outpatient Surgery	\$0	\$0	\$10 per procedure
Hospital Inpatient	\$0	\$0	\$0
Out-of-Pocket Max (Individual / Family)	\$1500/\$3000	\$1500/\$3000	\$1500/\$3000
<b><u>Out-of-Network (OON) Benefits</u></b>			
Deductible (Individual / Family)	No Coverage	No Coverage	No Coverage
Coinsurance	No Coverage	No Coverage	No Coverage
Out-of-Pocket Max (Individual / Family)	No Coverage	No Coverage	No Coverage
<b>Annual Maximum INN / OON</b>	<b>Unlimited</b>	<b>Unlimited</b>	<b>Unlimited</b>
<b><u>Prescription Drugs</u></b>			
Separate Deductible then the following Copays			
Retail (30 Days) - Generic/Formulary /Non-Form.	\$5/\$20/\$50	\$5/\$20/\$50	\$5/\$20
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10/\$40/\$100	\$10/\$40/\$100	\$5/\$20
<b><u>Selected Detail Benefits</u></b>			
Psychiatry	INN: \$10 Copay; OON: No Coverage	INN: \$10 Copay; OON: No Coverage	INN: \$10 Copay; OON: No Coverage
Rehabilitation (i.e., speech, occup. physical)	INN: \$10 Copay; OON: No Coverage	INN: \$10 Copay; OON: No Coverage	INN: \$10 Copay; OON: No Coverage
Chiropractors	\$10 Copay	\$10 Copay	\$10 Copay
Hearing Aids	No Cost; Limit of \$1000 per ear every 3 years	No Cost; Limit of \$1000 per ear every 3 years	No Cost; Limit of \$1000 per ear every 3 years
Durable Medical Equipment (DME)	\$0	\$0	\$0
Preventive Care	INN: No Cost; OON: Not Covered	INN: No Cost; OON: Not Covered	INN: No Cost; OON: Not Covered
<b><u>Medical Management</u></b>			
PCP referral to specialists required	No	No	Yes
Inpatient	Blue Shield of CA	Blue Shield of CA	Kaiser
Outpatient	Blue Shield of CA	Blue Shield of CA	Kaiser
Case Management	Blue Shield of CA	Blue Shield of CA	Kaiser
Disease Management	Yes; select conditions	Yes; select conditions	Yes; select conditions
Wellness	Yes	Yes	Yes
Nurse-Line / Informed Decision Support	Yes	Yes	Yes
<b><u>Medicare Integration</u></b>			
Non-Medicare Benefits Covered	Yes, same as NME	Yes, same as NME	Yes, same as NME
Non-Medicare Providers Covered	Only if in-network	Only if in-network	Only if in-network
Pharmacy Covered	Only if in-network	Only if in-network	Only if in-network

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
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**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

<b>Benefit Option Name Last Modified Provider Network</b>	<b>PERS Care 1/1/2013 Blue Cross of CA</b>	<b>PERS Choice 1/1/2013 Blue Cross of CA</b>	<b>PERS Select 1/1/2013 Blue Cross of CA</b>
<b><u>In-Network (INN) Benefits</u></b>			
Deductible (Individual / Family)	\$0/\$0	\$0/\$0	\$0/\$0
Coinsurance	20%	20%	20%
Copays			
Office Visit - Primary Care (PCP)	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
OV - Specialist Care Provider (SCP)	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Urgent Care (UC)	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Emergency Room (ER) Non-admitted	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Outpatient Surgery	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Hospital Inpatient	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Out-of-Pocket Max (Individual / Family)	\$3000/\$6000	\$3000/\$6000	\$3000/\$6000
<b><u>Out-of-Network (OON) Benefits</u></b>			
Deductible (Individual / Family)	\$0/\$0	\$0/\$0	\$0/\$0
Coinsurance	20%	20%	20%
Out-of-Pocket Max (Individual / Family)	Unlimited	Unlimited	Unlimited
<b>Annual Maximum INN / OON</b>	Unlimited	Unlimited	Unlimited
<b><u>Prescription Drugs</u></b>			
Separate Deductible then the following Copays			
Retail (30 Days) - Generic/Formulary /Non-Form.	\$5/\$20/\$50	\$5/\$20/\$50	\$5/\$20/\$50
Mail Order (90 Days) - Generic/Form. /Non-Form.	\$10/\$40/\$100	\$10/\$40/\$100	\$10/\$40/\$100
<b><u>Selected Detail Benefits</u></b>			
Psychiatry	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Rehabilitation (i.e., speech, occup. physical)	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Chiropractors	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Hearing Aids	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Durable Medical Equipment (DME)	Ded. & Coins.	Ded. & Coins.	Ded. & Coins.
Preventive Care	INN: No Cost; OON: Coins.	INN: No Cost; OON: Coins.	INN: No Cost; OON: Coins.
<b><u>Medical Management</u></b>			
PCP referral to specialists required	Yes	Yes	Yes
Inpatient	Blue Cross of CA	Blue Cross of CA	Blue Cross of CA
Outpatient	Blue Cross of CA	Blue Cross of CA	Blue Cross of CA
Case Management	Blue Cross of CA	Blue Cross of CA	Blue Cross of CA
Disease Management	Yes; select conditions	Yes; select conditions	Yes; select conditions
Wellness	Yes	Yes	Yes
Nurse-Line / Informed Decision Support	Yes	Yes	Yes
<b><u>Medicare Integration</u></b>			
Non-Medicare Benefits Covered	Yes, same as NME	Yes, same as NME	Yes, same as NME
Non-Medicare Providers Covered	Non-Par & Non-Accepting	Non-Par & Non-Accepting	Non-Par & Non-Accepting
Pharmacy Covered	Non-Par & Non-Accepting	Non-Par & Non-Accepting	Non-Par & Non-Accepting

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**APPENDIX B  
SUBSTANTIVE PLAN PROVISIONS**

**Changes Since The Last Valuation:**

The Police bargaining unit hired after 5/1/2012 and Police management bargaining unit hired after 6/12/2012 benefits are now determined in the negotiation process and are no longer based upon the Kaiser Bay area single party rate.

**APPENDIX C  
GLOSSARY OF TERMS**

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, and retirement; changes in compensation; rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; and other relevant items.

**2. Actuarial Cost Method**

A procedure for determining the actuarial present value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a normal cost and an actuarial liability.

**3. Actuarial Gain (Loss)**

A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

**4. Actuarial Liability**

The portion of the actuarial present value of projected benefits which will not be paid by future normal costs. It represents the value of the past normal costs with interest to the valuation date.

**5. Actuarial Present Value (Present Value)**

The value as of a given date of a future amount or series of payments. The actuarial present value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is:

$$\begin{array}{rclclcl} & & \text{Probability} & \frac{1}{(1+\text{Discount Rate})} & & \\ & & \text{of Payment} & & & \\ \text{Amount} & & & & & \\ \$100 & \times & (1 - .01) & 1/(1+.1) & = & \$90 \end{array}$$

**6. Actuarial Valuation**

The determination, as of a specified date, of the normal cost, actuarial liability, actuarial value of assets, and related actuarial present values for a pension plan.

**7. Actuarial Value of Assets**

The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purpose of an actuarial valuation. The purpose of an actuarial value of assets is to smooth out fluctuations in market values. This way, long-term costs are not distorted by short-term fluctuations in the market.

**APPENDIX C  
GLOSSARY OF TERMS**

**8. Amortization Payment**

The portion of the pension plan contribution which is designed to pay interest and principal on the unfunded actuarial liability in order to pay for that liability in a given number of years.

**9. Entry Age Normal Actuarial Cost Method**

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated as a level percentage of pay from the individual's date of entry into the plan to the individual's assumed cessation of employment.

**10. Normal Cost**

That portion of the actuarial present value of pension plan benefits and expenses which is allocated to a valuation year by the actuarial cost method.

**11. Unfunded Actuarial Liability**

The excess of the actuarial liability over the actuarial value of assets.

**12. Funded Percentage**

The ratio of the actuarial value of assets to the actuarial liability.

**13. Mortality Table**

A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

**14. Discount Rate**

The assumed interest rate used for converting projecting dollar related values to a present value as of the valuation date.

**15. Medical Trend**

The assumed increase in dollar related values in the future due to the increase in the cost of health care.

**CITY OF HAYWARD OTHER POST-EMPLOYMENT BENEFITS  
ACTUARIAL VALUATION AS OF JUNE 30, 2013**

**APPENDIX D  
LIST OF ABBREVIATIONS**

Actuarial Accrued Liability (AAL)  
Actuarial Valuation Report (AVR)  
Annual Required Contribution (ARC)  
Coordination of Benefits (COB)  
Deductible and Coinsurance (DC)  
Deferred Retirement Option Plan (DROP)  
Durable Medical Equipment (DME)  
Employee Assistance Program (EAP)  
Employee Benefits Division (EBD)  
Fiscal Year Ending (FYE)  
Governmental Accounting Standards Board (GASB)  
Hospital Emergency Room (ER)  
In-Network (INN)  
Inpatient (IP)  
Medicare Eligible (ME)  
Net Other Postemployment Benefit (NOO)  
Non-Medicare Eligible (NME)  
Not Applicable (NA)  
Office Visit (OV)  
Other Postemployment Benefit (OPEB)  
Out-of-Network (OON)  
Out-of-Pocket (OOP)  
Outpatient (OP)  
Pay-as-you-go (PAYGo)  
Per Person Per Month (PPPM)  
Pharmacy (Rx)  
Preferred Provider Organization (PPO)  
Primary Care Physician (PCP)  
Specialist Care Provider (SCP)  
Summary Plan Description (SPD)  
Unfunded Actuarial Accrued Liability (UAAL)  
Unfunded Actuarial Liability (UAL)  
Urgent Care (UC)