GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
20 North Clark Street
Suite 2400
Chicago, IL 60602-5111
312.456.9800 phone
312.456.9801 fax
www.gabrielroeder.com

May 7, 2007

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 Department of Personnel Administration (DPA). The valuation was based on census information as of March 1, 2007, projected to July 1, 2007, and applies to the fiscal year beginning July 1, 2007. This report was prepared at the request of the State Controller's Office (SCO).

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 State of California only in its entirety and only with the permission of the State of California.

The valuation was based on information furnished by SCO, CalPERS, and DPA concerning retiree healthcare benefits, members' census and financial data. Data was reviewed for reasonableness and internal consistency but was not otherwise audited. The assumptions and methods used in this valuation are consistent with the CalPERS Other Postemployment Benefits (OPEB) assumption and method parameters and the most recent pension valuation reports produced by CalPERS. The assumptions and methods were approved by the SCO.

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally accepted actuarial methods.

One or more of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Alex Rivera Marek Tyszkiewicz huzhi

Alex Rivera, FSA, MAAA	Marek Tyszkiewicz, ASA, MAAA	Hu Zhi, FSA, MAAA
Senior Consultant	Senior Consultant	Consultant

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

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

As of July 1, 2007

Introduction

The Governmental Accounting Standards Board (GASB) has issued new 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. 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.

The State is 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 July 1, 2007, of the retiree healthcare benefits sponsored by the State of California for statewide employees,
2) FY 2008 expense and financial reporting information, and
3) 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. In the first fiscal year that GASB No. 45 is adopted, the Annual OPEB Cost will usually equal the ARC because the initial balance sheet liability is zero.
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 statement, but is not a component of the employer's balance sheet or accounting liability.

The ARC is accrued on the employer's book 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 valuation depends primarily on the interest discount rate assumption used to develop the present value of future benefits. The interest 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 primarily invested in short-term securities, a low investment return assumption, such as 4 percent to 5 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 7 percent to 8 percent. Using a higher discount rate such as 8 percent will produce a lower ARC when compared to a discount rate of 4 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 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 July 1, 2007, based on census data as of March 1, 2007.

The Annual Required Contribution (ARC) is defined as the Normal Cost plus a 30-year level-percent-of-pay amortization of the Unfunded Actuarial Accrued Liability. The Annual OPEB Cost equals the ARC because the initial balance sheet liability is zero.

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 4.5 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 that can support a discount rate of 7.75 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 6.125 percent.

Pay-as-you-go funding at 4.5 percent - $47.88 billion Actuarial Accrued Liability

The pay-as-you-go funding scenario produced an actuarial accrued liability of $47.88 billion as of July 1, 2007, an ARC of $3.59 billion for fiscal year end June 30, 2008, estimated employer contributions of $1.36 billion for fiscal year end June 30, 2008, and an expected Net OPEB Obligation of $2.23 billion at fiscal year end June 30, 2008.

Partial-funding at 6.125 percent - $38.24 billion Actuarial Accrued Liability

The partial-funding scenario produced an actuarial accrued liability of $38.24 billion as of July 1, 2007, an ARC of $2.98 billion for fiscal year end June 30, 2008, estimated employer contributions of $1.98 billion for fiscal year end June 30, 2008, and an expected Net OPEB Obligation of $1.00 billion at fiscal year end June 30, 2008.

Full-funding at 7.75 percent - $31.28 billion Actuarial Accrued Liability

The full-funding scenario produced an actuarial accrued liability of $31.28 billion as of July 1, 2007, an ARC of $2.59 billion for fiscal year end June 30, 2008, estimated employer contributions of $2.59 billion for fiscal year end June 30, 2008, and an expected Net OPEB Obligation of $0.00 billion at fiscal year end June 30, 2008.

Comparison of key valuation results

Fiscal Year Ending June 30, 2008 ($ in billions)	Pay-As-You-Go Funding (4.5%)	Partial Funding Policy (6.125%)	Full Funding Policy (7.75%)
Actuarial Accrued Liability as of July 1, 2007	$47.88	$38.24	$31.28
Annual Required Contribution for FY 2008	$3.59	$2.98	$2.59
Expected Employer Contribution for FY 2008	$1.36	$1.98	$2.59
Net OPEB obligation for FYE 2008	$2.23	$1.00	$0.00

Fully funding retiree healthcare benefits increases cash contributions by 90 percent from $1.36 billion to $2.59 billion; however, the result is no balance sheet liability at fiscal year end 2008. The partial funding policy also controls the growth in the balance sheet liability and reduces the balance sheet liability at fiscal year end 2008 by approximately 55 percent from $2.23 billion to $1.00 billion.

Basis of actuarial valuation

This 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 March 1, 2007, provided by the California Public Employees Retirement System (CalPERS) and the Department of Personnel Administration (DPA),
- Claims and enrollment data provided by CalPERS and DPA for calendar years 2004, 2005, and 2006,
- Plan information provided by CalPERS and DPA,
- Demographic assumptions consistent with those used for the most recent actuarial valuations of the CalPERS statewide pension programs,
- Retiree healthcare valuation assumptions and methods consistent with the CalPERS OPEB parameters, and
- 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 & Co. and approved by the SCO.

The valuation was prepared by a member of the American Academy of Actuaries who satisfies the Qualification Standards of the Academy 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 GASB Statements No. 43 and 45 requirements;
- Background on retiree healthcare trusts including the advantages of pre-funding;
- The basis of the actuarial assumptions and methods used in this valuation;
- Valuation results by employer group;
- Fiscal year end 2008 financial disclosure information; and
- Additional details on the census, plan provisions, assumptions, and methods used to prepare the valuation.

SECTION A

CURRENT OVERVIEW

SUMMARY OF GASB ACCOUNTING STANDARDS

Other Postemployment Benefits
Sponsored by the
State of California

As of July 1, 2007

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 and Rationale

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, and no separate pool of assets is available to pay future retiree healthcare benefits.

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 Net OPEB Obligation at fiscal year end;
- Historical Annual OPEB Costs and Employer Contributions;
- Historical Actuarial Accrued Liabilities and Assets; and
- 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 4 percent to 5 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.

Retiree Healthcare Trusts and Advantages of Pre-funding Options

The following section outlines the different options used to pre-fund retiree healthcare benefits and discusses the pros and cons of each option with respect to implementation, restrictions, and accounting treatment. Each option is "qualified" meaning that investment income is not taxed. The three most widely used funding options include:

- Retiree Healthcare Accounts subject to IRC § 401(h);
- Voluntary Employees' Beneficiary Associations (VEBA) subject to IRC § 501(c)(9); and
- Governmental Trusts subject to IRC § 115.

401(h) Retiree Healthcare Account

A qualified pension plan may establish a separate account under IRC § 401(h) to finance retiree healthcare benefits. Such accounts are subject to the "subordination test" under IRC § 401(h) and consequently are not efficient funding vehicles. In general, the subordination test requires that no more than 25 percent of the total normal cost, or contributions if less, be allocated to the retiree healthcare account. The 401(h) account satisfies the definition of plan asset under GASB Nos. 43 and 45, because assets in the retiree healthcare account are irrevocable and earmarked for retiree healthcare benefits.

The 401(h) account is most advantageous to plan sponsors that provide nominal healthcare subsidies through the pension plan and fully fund the pension plan. For example the employer provides a retiree healthcare subsidy of $75 per month, and contributes the normal cost plus a 30-year amortization of the unfunded actuarial liability. Such plan sponsors will be able to use a "fully-funded" discount rate, such as 7.5 percent, for both pension and OPEB, resulting in lower overall expense. However, the likelihood of passing the subordination test is low if significant retiree healthcare benefits are provided relative to pension benefits.

Retiree healthcare benefits that are not pre-funded would generally not be "passed-through" the 401(h) account. Instead pay-as-you-go financing would be made directly from one of the employer's funds; for example, the general fund. However, some qualified pension plans that provide healthcare subsidies without explicitly pre-funding such benefits are effectively administering a pay-as-you-go 401(h) account.

VEBA

A VEBA is a separate tax-exempt entity that can create a trust for purposes of paying healthcare and other benefits. The VEBA trust is controlled by a board of trustees, similar to a pension fund board, which acts on behalf of the participating members. It can also be controlled by an independent trustee on behalf of the members. A VEBA requires significant administration including:

- IRS filings, including Form 1024 at inception and Form 990 for each plan year
- Adoption of plan documents
- Complex non-discrimination compliance for non-bargained plans
- Recordkeeping of employer and after-tax employee contributions

- Legal, accounting and actuarial consulting services

Advantages of VEBA include:

- No limit on employer contributions for government sponsored VEBA. (Employee contributions can be made on an after-tax basis but cannot be "picked-up.")
- Security of assets because employer contributions and investment income are irrevocable.
- Assets held in a VEBA trust qualify as an asset for GASB Nos. 43 and 45 reporting if the VEBA is established exclusively for retirees or if the VEBA includes a subaccount exclusively for retirees.

Section 115 Governmental Trusts

IRS Revenue Ruling 90-74 allows a group of political subdivisions to establish a trust to finance pooled casualty risk including healthcare benefits. The trust must be an "integral part" of the governmental entity and the member entities must have "substantial control" and "substantial financial involvement."

Advantages include:

- Unlimited employer contributions
- The nondiscrimination rules applicable to VEBA do not appear to apply
- Less administration when compared to VEBA
- More flexibility when compared to VEBA

Disadvantages include:

- Trust may not qualify as a GASB Nos. 43 or 45 asset unless an irrevocable trust is established
- Treatment of employee contributions is not clearly defined
- May require state statutory authority
- IRS approval not required but recommended

Summary of Funding Options

In general, a 401(h) account is an efficient alternative if nominal healthcare subsidies are provided through the pension trust and the employer makes significant pension contributions such as the actuarially determined contributions. Sponsors that subsidize a significant portion of the healthcare premium would generally need to use other alternatives.

A VEBA dedicated to retirees is an efficient pre-funding alternative because it is not subject to the contribution limitation; however, it could be costly to administer. An irrevocable IRC section 115 governmental trust is similar to a VEBA but with more flexibility and possibly less administrative costs. The VEBA and IRC section 115 governmental trust options are currently the best available alternatives.

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 and expected future returns, a discount rate of 4.5 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 funding and 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 VEBA or section 115 governmental trust. Under the first alternative, the State is assumed to fully fund the ARC, supporting a discount rate of 7.75 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 6.125 percent.

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 not sustainable in the long-term. That is, if healthcare benefits are assumed to increase by 9 percent per year in the long-term while other goods and services increase at a rate less than 6 percent per year, then in the long run the general economy would include a disproportionate share of 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 we assumed an initial healthcare trend rate of 10 percent decreasing each year over the next ten years until the ultimate rate of 4.5 percent is reached.

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 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 at 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, and are rated separately from other participating local government employers, the State is not eligible for the community rating exception.

Actuarial Cost Method

Actuarial costs were developed using the individual entry age normal cost method. This method assumed that the Annual Required Contribution will be level as a percentage of the member's pay.

Closed Versus Open Group Valuation

The development of the fiscal year 2008 Annual Required Contribution and the measurement of the Actuarial Accrued Liability as of July 1, 2007, 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 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 July 1, 2007

The following tables show key valuation results by employer, on a pay-as-you-go basis, using a discount rate of 4.5 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 ten years, the PMIA average annual return was approximately 4 percent on a nominal basis and 1.5 percent on a real basis. The discount rate of 4.5 percent takes into consideration a long-term inflation assumption of 3 percent, and a real return of 1.5 percent.

The Unfunded Actuarial Accrued Liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 30 years using the individual entry-age normal method. 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 below are employer costs and liabilities, net of retiree paid premiums and cost sharing such as co-pays, deductibles, or coinsurance.

The pay-as-you-go funding policy produces a fiscal year 2008 Annual OPEB Cost of $3.59 billion, cash contributions of $1.36 billion and an actuarial liability of $47.88 billion. The pay-as-you-go cash contribution is developed on page 15.

Some key observations of the FY 2008 valuation results at a 4.5 percent discount rate include:

- The Annual OPEB Cost represents 2.64 times the pay-as-you-go costs. If the employer finances retiree healthcare benefits on a pay-as-you-go basis, the balance sheet liability is projected to grow exponentially. An open group projection could illustrate the potential growth of the balance sheet liability.
- The FY 2008 implicit employer contribution is expected to be $0.336 billion or 25 percent of the total net employer cash contribution.
- The average Annual OPEB Cost per person is highest for the public safety employees. The Highway Patrol has the highest costs because retirees comprise almost 50 percent of the covered group.

CALIFORNIA STATE EMPLOYEES OPEB ACTUARIAL VALUATION RESULTS AS OF MARCH 1, 2007, PROJECTED TO JULY 1, 2007 ($ in '000s) PAY-AS-YOU-GO FUNDING POLICY (4.50%)												
	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	Total
Number of Participants Covered												
Active Participants	31,969	133,362	165,331	10,138	6,652	328	40,270	40,598	20,942	1,509	8	245,178
Retired Participants	19,729	76,425	96,154	3,283	6,022	189	15,209	15,398	8,487	1,407	122	130,873
Total Participants	51,698	209,787	261,485	13,421	12,674	517	55,479	55,996	29,429	2,916	130	376,051
Actuarial Present Value of Proj. Benefits												
Active Participants	$5,144,502	$21,391,793	$26,536,295	$1,652,404	$2,054,901	$77,478	$9,399,432	$9,476,910	$3,247,044	$223,261	$1,400	$43,192,215
Retired Participants	3,534,493	13,128,336	16,662,829	595,992	1,560,588	53,772	4,192,351	4,246,123	1,734,078	230,099	20,301	25,050,010
Total Participants	$8,678,995	$34,520,129	$43,199,124	$2,248,396	$3,615,489	$131,250	$13,591,783	$13,723,033	$4,981,122	$453,360	$21,701	$68,242,225
Actuarial Accrued Liability (Entry-Age Normal Actuarial Cost Method)												
Active Participants	$2,434,943	$12,250,367	$14,685,310	$720,390	$1,033,080	$30,823	$4,616,741	$4,647,564	$1,591,957	$148,206	$1,241	$22,827,748
Retired Participants	3,534,493	13,128,336	16,662,829	595,992	1,560,588	53,772	4,192,351	4,246,123	1,734,078	230,099	20,301	25,050,010
Total Participants	$5,969,436	$25,378,703	$31,348,139	$1,316,382	$2,593,668	$84,595	$8,809,092	$8,893,687	$3,326,035	$378,305	$21,542	$47,877,758
Actuarial Value of Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$5,969,436	$25,378,703	$31,348,139	$1,316,382	$2,593,668	$84,595	$8,809,092	$8,893,687	$3,326,035	$378,305	$21,542	$47,877,758
Annual Required Contribution of the Employer (ARC) for YE 6/30/08 (Entry-Age Normal Actuarial Cost Method)												
Normal Cost	$234,337	$776,863	$1,011,200	$66,782	$74,254	$3,268	$385,681	$388,949	$149,748	$10,305	$38	$1,701,276
Amortization of UAAL*	$235,635	$1,001,787	$1,237,422	$51,962	$102,381	$3,339	$347,726	$351,065	$131,290	$14,933	$2,605	$1,891,658
Total ARC (and Annual OPEB Cost) for FYE 6/30/08	**$469,972**	**$1,778,650**	**$2,248,622**	**$118,744**	**$176,635**	**$6,607**	**$733,407**	**$740,014**	**$281,038**	**$25,238**	**$2,643**	**$3,592,934**
Per Active Participant (not in '000s)	$14,701	$13,337	$13,601	$11,713	$26,554	$20,143	$18,212	$18,228	$13,420	$16,725	$330,375	$14,654
Expected Net Employer Contribution for FYE 6/30/08 (for crediting against annual OPEB Cost)	**$205,633**	**$795,904**	**$1,001,537**	**$33,402**	**$68,270**	**$1,896**	**$152,423**	**$154,319**	**$88,945**	**$14,875**	**$1,231**	**$1,362,579**
Expected Net OPEB Obligation at 6/30/2008	**$264,339**	**$982,746**	**$1,247,085**	**$85,342**	**$108,365**	**$4,711**	**$580,984**	**$585,695**	**$192,093**	**$10,363**	**$1,412**	**$2,230,355**

*For Legislative Retirement System, UAAL amortized over a ten-year period as a level-dollar amount.

CALIFORNIA STATE EMPLOYEES
EXPECTED NET EMPLOYER CASH FLOW - FY 2008 ($ 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	Total
Total Claims												
Medical and Rx Claims	$212,998	$823,570	$1,036,568	$34,660	$67,237	$1,871	$151,524	$153,395	$91,578	$17,327	$1,440	$1,402,205
Dental Claims	15,802	56,553	72,355	2,407	5,316	157	12,957	13,114	6,358	32	1	99,583
Total	$228,800	$880,123	$1,108,923	$37,067	$72,553	$2,028	$164,481	$166,509	$97,936	$17,359	$1,441	$1,501,788
Employer/Retiree Share												
Retiree Contribution	$23,168	$84,219	$107,387	$3,665	$4,284	$132	$12,058	$12,190	$8,991	$2,484	$210	$139,211
Explicit Employer Cost	$154,338	$571,366	$725,704	$24,492	$54,756	$1,777	$139,107	$140,884	$67,797	$11,769	$956	$1,026,358
Implicit Employer Cost	51,295	224,538	275,833	8,910	13,514	119	13,316	13,435	21,148	3,106	275	336,221
Total	$228,801	$880,123	$1,108,924	$37,067	$72,554	$2,028	$164,481	$166,509	$97,936	$17,359	$1,441	$1,501,790
Net Employer Cost	$205,633	$795,904	$1,001,537	$33,402	$68,270	$1,896	$152,423	$154,319	$88,945	$14,875	$1,231	$1,362,579

The explicit employer cost is an estimate of the employer paid premium for the fiscal year end June 30, 2008. It is based on an actuarial projection of the retiree population using the demographic assumption contained in Section E of the report, and a projection of premium rates assuming a trend increase of ten percent for fiscal year end June 30, 2008. The actual explicit employer subsidy will be updated based on the actual blended premium paid by the employer during the fiscal year. The total employer contribution, 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.

VALUATION RESULTS
Pre-Funding Scenarios

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

As of July 1, 2007

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 7.75 percent can be supported; 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 6.125 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 can support a discount rate of 7.75 percent, similar to the CalPERS Retiree Benefit Trust Fund.

The full-funding policy produces a Fiscal Year 2008 Annual OPEB Cost of $2.59 billion, cash contributions of $2.59 billion and an actuarial liability of $31.28 billion.

The partial funding discount rate of 6.125 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 2008 Annual OPEB Cost of $2.98 billion, cash contributions of $1.98 billion and an actuarial liability of $38.24 billion.

Some key observations of the Fiscal Year 2008 valuation results assuming the State pre-funds benefits include:

- If the State fully funds the program by contributing the Annual Required Contribution developed at 7.75 percent, contributions increase by 90 percent from $1.36 billion to $2.59 billion. Under this scenario the balance sheet liability is zero.
- If the State partially funds the program, contributions increase by 46 percent from $1.36 billion to $1.98 billion, and the Annual OPEB Cost decreases by 17 percent from $3.59 billion to $2.98 billion. Under this scenario the balance sheet liability is $1.00 billion or roughly 55 percent less than the pay-as-you-go alternative.

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF MARCH 1, 2007, PROJECTED TO JULY 1, 2007 ($ in '000s)
FULL FUNDING POLICY (7.75%)

	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	Total
Number of Participants Covered												
Active Participants	31,969	133,362	165,331	10,138	6,652	328	40,270	40,598	20,942	1,509	8	245,178
Retired Participants	19,729	76,425	96,154	3,283	6,022	189	15,209	15,398	8,487	1,407	122	130,873
Total Participants	51,698	209,787	261,485	13,421	12,674	517	55,479	55,996	29,429	2,916	130	376,051
Actuarial Present Value of Proj. Benefits												
Active Participants	$2,526,124	$10,462,059	$12,988,183	$763,141	$901,042	$33,034	$4,329,909	$4,362,943	$1,587,876	$127,800	$842	$20,731,827
Retired Participants	2,564,772	9,568,492	12,133,264	426,373	1,062,699	35,256	2,742,906	2,778,162	1,215,538	170,074	14,830	17,800,940
Total Participants	$5,090,896	$20,030,551	$25,121,447	$1,189,514	$1,963,741	$68,290	$7,072,815	$7,141,105	$2,803,414	$297,874	$15,672	$38,532,767
Actuarial Accrued Liability (Entry-Age Normal Actuarial Cost Method)												
Active Participants	$1,487,836	$7,260,443	$8,748,279	$430,235	$571,654	$17,157	$2,656,766	$2,673,923	$960,215	$96,149	$776	$13,481,231
Retired Participants	2,564,772	9,568,492	12,133,264	426,373	1,062,699	35,256	2,742,906	2,778,162	1,215,538	170,074	14,830	17,800,940
Total Participants	$4,052,608	$16,828,935	$20,881,543	$856,608	$1,634,353	$52,413	$5,399,672	$5,452,085	$2,175,753	$266,223	$15,606	$31,282,171
Actuarial Value of Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$4,052,608	$16,828,935	$20,881,543	$856,608	$1,634,353	$52,413	$5,399,672	$5,452,085	$2,175,753	$266,223	$15,606	$31,282,171
Annual Required Contribution of the Employer (ARC) for YE 6/30/08 (Entry-Age Normal Actuarial Cost Method)												
Normal Cost	$115,656	$347,771	$463,427	$31,574	$30,497	$1,459	$172,490	$173,949	$72,986	$5,093	$17	$777,543
Amortization of UAAL*	$234,448	$973,572	$1,208,020	$49,556	$94,549	$3,032	$312,377	$315,409	$125,870	$15,401	$2,134	$1,810,939
Total ARC (and Annual OPEB Cost) for FYE 6/30/08	**$350,104**	**$1,321,343**	**$1,671,447**	**$81,130**	**$125,046**	**$4,491**	**$484,867**	**$489,358**	**$198,856**	**$20,494**	**$2,151**	**$2,588,482**
Per Active Participant (not in '000s)	$10,951	$9,908	$10,110	$8,003	$18,798	$13,692	$12,040	$12,054	$9,496	$13,581	$268,875	$10,558
Expected Net Employer Contribution for FYE 6/30/08 (for crediting against annual OPEB Cost)	**$350,104**	**$1,321,343**	**$1,671,447**	**$81,130**	**$125,046**	**$4,491**	**$484,867**	**$489,358**	**$198,856**	**$20,494**	**$2,151**	**$2,588,482**
Expected Net OPEB Obligation at 6/30/2008	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

*For Legislative Retirement System, UAAL amortized over a ten-year period as a level dollar amount.

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF MARCH 1, 2007, PROJECTED TO JULY 1, 2007 ($ in '000s)
PARTIAL FUNDING POLICY (6.125%)

	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	Total
Number of Participants Covered												
Active Participants	31,969	133,362	165,331	10,138	6,652	328	40,270	40,598	20,942	1,509	8	245,178
Retired Participants	19,729	76,425	96,154	3,283	6,022	189	15,209	15,398	8,487	1,407	122	130,873
Total Participants	51,698	209,787	261,485	13,421	12,674	517	55,479	55,996	29,429	2,916	130	376,051
Actuarial Present Value of Proj. Benefits												
Active Participants	$3,527,492	$14,645,345	$18,172,837	$1,097,085	$1,329,519	$49,362	$6,235,435	$6,284,797	$2,222,182	$166,367	$1,068	$29,273,855
Retired Participants	2,981,997	11,100,398	14,082,395	498,808	1,271,099	42,903	3,340,574	3,383,477	1,434,870	196,093	17,179	20,883,921
Total Participants	$6,509,489	$25,745,743	$32,255,232	$1,595,893	$2,600,618	$92,265	$9,576,009	$9,668,274	$3,657,052	$362,460	$18,247	$50,157,776
Actuarial Accrued Liability (Entry-Age Normal Actuarial Cost Method)												
Active Participants	$1,883,848	$9,335,004	$11,218,852	$551,117	$759,434	$22,728	$3,462,312	$3,485,040	$1,224,025	$118,240	$967	$17,357,675
Retired Participants	2,981,997	11,100,398	14,082,395	498,808	1,271,099	42,903	3,340,574	3,383,477	1,434,870	196,093	17,179	20,883,921
Total Participants	$4,865,845	$20,435,402	$25,301,247	$1,049,925	$2,030,533	$65,631	$6,802,886	$6,868,517	$2,658,895	$314,333	$18,146	$38,241,596
Actuarial Value of Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Unfunded Actuarial Accrued Liability	$4,865,845	$20,435,402	$25,301,247	$1,049,925	$2,030,533	$65,631	$6,802,886	$6,868,517	$2,658,895	$314,333	$18,146	$38,241,596
Annual Required Contribution of the Employer (ARC) for YE 6/30/08 (Entry-Age Normal Actuarial Cost Method)												
Normal Cost	$162,659	$513,964	$676,623	$45,408	$47,053	$2,153	$254,511	$256,664	$103,187	$7,175	$25	$1,136,135
Amortization of UAAL*	$234,985	$986,883	$1,221,868	$50,704	$98,060	$3,170	$328,531	$331,701	$128,406	$15,180	$2,337	$1,848,256
Total ARC (and Annual OPEB Cost) for FYE 6/30/08	**$397,644**	**$1,500,847**	**$1,898,491**	**$96,112**	**$145,113**	**$5,323**	**$583,042**	**$588,365**	**$231,593**	**$22,355**	**$2,362**	**$2,984,391**
Per Active Participant (not in '000s)	$12,438	$11,254	$11,483	$9,480	$21,815	$16,229	$14,478	$14,492	$11,059	$14,814	$295,250	$12,172
Expected Net Employer Contribution for FYE 6/30/08 (for crediting against annual OPEB Cost)	**$277,869**	**$1,058,624**	**$1,336,493**	**$57,266**	**$96,658**	**$3,194**	**$318,645**	**$321,839**	**$143,901**	**$17,685**	**$1,691**	**$1,975,533**
Expected Net OPEB Obligation at 6/30/2008	**$119,775**	**$442,223**	**$561,998**	**$38,846**	**$48,455**	**$2,129**	**$264,397**	**$266,526**	**$87,692**	**$4,670**	**$671**	**$1,008,858**

*For Legislative Retirement System, UAAL amortized over a ten-year period as a level-dollar amount.

ACCOUNTING INFORMATION

Other Postemployment Benefits
Sponsored by the
State of California

As of July 1, 2007

The effective date for the new GASB OPEB Accounting Standard for the State of California is the Fiscal Year beginning July 1, 2007. The following section shows the Annual Required Contribution (ARC), Annual OPEB Cost (AOC), and projected Net OPEB Obligation (NOO) at June 30, 2008, assuming the accounting standard is first adopted for the fiscal year ending in 2008.

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 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 Annual Required Contribution (ARC) based on a 30-year amortization of the Unfunded Actuarial Accrued Liability as a level percent of pay.

Fiscal Year Ending June 30, 2008	Pay-As-You-Go Funding ($ in billions)	Partial Funding Policy ($ in billions)	Full Funding Policy ($ in billions)
Normal Cost	$1.70	$1.14	$0.78
Unfunded Actuarial Accrued Liability Amortization	$1.89	$1.84	$1.81
Annual Required Contribution (ARC)	$3.59	$2.98	$2.59

Annual OPEB Cost (AOC)

If there is no OPEB obligation on the State's financial statements as of the transition date of July 1, 2007, then the Annual OPEB Cost equals the Annual Required Contribution. However, if there is an initial obligation at transition, the annual OPEB Cost should reflect an adjustment for the initial transition obligation. Note that GASB No. 45, in general, directs employers to set their initial OPEB Obligation to zero.

Fiscal Year Ending June 30, 2008	Pay-As-You-Go Funding ($ in billions)	Partial Funding Policy ($ in billions)	Full Funding Policy ($ in billions)
Annual Required Contribution (ARC)	$3.59	$2.98	$2.59
Adjustment to Annual Required Contribution	$0.00	$0.00	$0.00
Total Annual OPEB Cost (AOC)	$3.59	$2.98	$2.59

Annual OPEB Cost Summary

Fiscal Year Ending June 30, 2008	Annual OPEB Cost ($ in billions)	Expected Net Employer Contribution ($ in billions)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation ($ in billions)
Pay-As-You-Go Funding	$3.59	$1.36	38%	$2.23
Partial Funding Policy	$2.98	$1.98	66%	$1.00
Full Funding Policy	$2.59	$2.59	100%	$0.00

Projected Net OPEB Obligation (NOO) at June 30, 2008:

Based on the Annual OPEB Cost developed above, the following is the projected Net OPEB Obligation (NOO) at June 30, 2008:

Fiscal Year Ending June 30, 2008	Pay-As-You-Go Funding ($ in billions)	Partial Funding Policy ($ in billions)	Full Funding Policy ($ in billions)
July 1, 2007 Net OPEB Obligation (NOO)[1]	$0.00	$0.00	$0.00
Total Annual OPEB Cost (AOC)	$3.59	$2.98	$2.59
Expected Net Employer Contribution	$1.36	$1.98	$2.59
Expected June 30, 2008 Net OPEB Obligation (NOO)[2]	$2.23	$1.00	$0.00

[1] Assumes July 1, 2007 Net OPEB Obligation is $0.00.

[2] Actual reserves would use actual 2008 FY benefit payments.

Required Supplementary Information

Below is the projected schedule of funding progress as of the valuation date of July 1, 2007:

Funding Policy	Actuarial Value of Assets ($ in billions) (a)	Actuarial Accrued Liability ($ in billions) (b)	Unfunded Actuarial Accrued Liability ($ in billions) (b) - (a)	Funded Ratio (a) / (b)
Pay-As-You-Go Funding	$0.00	$47.88	$47.88	0.00%
Partial Funding Policy	$0.00	$38.24	$38.24	0.00%
Full Funding Policy	$0.00	$31.28	$31.28	0.00%

SECTION C

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS

Other Postemployment Benefits
Sponsored by the
State of California

As of January 1, 2007

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 23 or older;
- Children who have been married;
- Children's spouses;
- Disabled children over age 23 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 Department of Personnel Administration, 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.

2007 State Contribution

The 2007 maximum State Contribution amounts are as follows:

2007 State Contribution		
One-Party Coverage	Two-Party Coverage	Family Coverage
$439.00	$823.00	$1,042.00

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

Blue Shield of California, Kaiser Permanente, Western Health Advantage

	Copay and/or Benefit Limit
Hospital	
Inpatient	No Charge
Outpatient	
Blue Shield and Western Health Advantage	No Charge
Kaiser Performance	$10/visit
Physician Services	
Office Visits	$10/visit
More than one copay may apply during an office visit if multiple services are provided.	
Gynecological Exam	$10/visit
Periodic Health Exam	$10/visit
Well-Baby Care	$10/visit
Allergy Testing/Treatment	
Blue Shield and Western Health Advantage	$10/visit
Kaiser Permanente	$5/visit (injection visits) $10/visit (testing visits)
Immunization/Inoculation	
Blue Shield And Western Health Advantage	$10/immunization
Kaiser Permanente	No Charge
Vision Exam (Refraction)	$10/visit
For age 17 and under. Varies by plan for age 18 and over and may be limited to one visit per calendar year.	
Hearing Exam/Screening	$10/visit
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	No Charge
Ambulance Service	
Air/ground ambulance service	No Charge
Emergency Services	
Waived if admitted as an inpatient or for observations as an outpatient	$50/visit
Prescription Drug Benefit	
Blue Shield and Western Health Advantage	$5/generic
Retail Pharmacy	$15/formulary brand name
(up to 30-day supply)	$45/non-formulary *($30 if medical necessity approved)*
Mail Order Program	$10/generic
(up to 90-day supply)	$25/formulary brand name
$1,000 maximum copayment per person per calendar year.	$75/non-formulary *($45 if medical necessity approved)*
Kaiser Permanente	$5/generic
Provides up to 100-day supply (or a 30-day supply for certain drugs) through either its pharmacies or mail order program.	$15/brand name

PERS Choice & PERSCare PPO Basic Plans

	PERS Choice		PERSCare	
	Member's Cost		Member's Cost	
	PPO	Non-PPO	PPO	Non-PPO
Calendar Year Deductible				
Individual	$500		$500	
Family	$1,000		$1,000	
Maximum Calendar Year Copay				
Individual	$3,000	None	$2,000	None
Family	$6,000	None	$4,000	None
Lifetime Maximum Benefit - Per Individual	$2,000,000		None	
Hospital				
Per admission deductible	None	None	$250	$250
Inpatient and Outpatient	20%	40%	10%	40%
Physician Services				
Office Visits	$20 copay	40%	$20 copay	40%
Urgent Care Visits	$20 copay	40%	$20 copay	40%
Hospital Outpatient	$20 copay	40%	10%	40%
Other Professional Services	20%	40%	10%	40%
Preventative Care Services	No Charge	40%	No Charge	40%
Ambulance Service	20%	20%	20%	20%
Emergency Services ($50 deductible per visit for covered ER charges - waived if admitted to Hospital)	20%	20%	10%	10%
Prescription Drug Benefit	**Generic**	**Preferred Brand**	**Non-Preferred Brand**	
Applies to PERS Choice and PERSCare				
Retail Pharmacy* PERS Choice (up to 30-day supply) PERSCare (up to 34 day supply) **short-term use*	$5	$15	$45 *($30 if partial waiver of Non-Preferred Brand copayment approved)*	
Retail Pharmacy Maintenance Medications filled after 2nd Fill** PERS Choice (up to 30-day supply) PERSCare (up to 34-day supply) *** A maintenance medication taken longer than 60 days for chronic conditions.*	$10	$25	$75 *($45 if partial waiver of Non-Preferred Brand copayment approved)*	
Mail Service Pharmacy *A $1,000 maximum copayment per person per calendar year applies (up to 90-day supply for PERS Choice and PERSCare)*	$10	$25	$75 *($45 if partial waiver of Non-Preferred Brand copayment approved)*	

HMO Medicare Plans

Blue Shield of California, Kaiser Permanente, Western Health Advantage

	Supplement to Original Medicare Plans	**Medicare Managed Care Plan (Medicare Advantage)**
	Blue Shield of California Western Health Advantage	Kaiser Permanent Senior Advantage
	Copay and/or Benefit Limit	**Copay and/or Benefit Limit**
Hospital		
Inpatient	No Charge	No Charge
Outpatient	No Charge	$10/visit
Physician Services		
Office Visits	$10/visit	$10/visit
Gynecological Exam	$10/visit	$10/visit
Periodic Health Exam	$10/visit	$10/visit
Allergy Testing/Treatment	$10/visit	$3/visit (injection visits) $10/visit (testing visits)
Immunization/Inoculation	$10/immunization	No Charge
Vision Exam (Refraction)		
Western Health Advantage	$10 in network	$10/visit
Blue Shield of California	$10/visit	
Hearing Exam/Screening	$10/visit	$10/visit
Inpatient Hospital Visits	No Charge	No Charge
Surgery/Anesthesia	No Charge	$10/visit
Ambulance Service		
Air/ground ambulance service	No Charge	No Charge
Emergency Services *Waived if admitted as an inpatient or for observations as an outpatient*	$50/visit	$50/visit
Prescription Drug Benefit		
Retail Pharmacy *(up to 30-day supply)* *(Does not apply to Kaiser)*	$5/generic $15/formulary brand name $45/non-formulary *($30 if medical necessity approved)*	$5/generic $15/brand name *Kaiser Permanente provides up to 100-day supply (or a 30-day supply for certain drugs) through its pharmacies or mail order program.*
Mail Order Program *$1,000 maximum copayment per person per calendar year (up to 90-day supply)* *(Does not apply to Kaiser)*	$10/generic $25/formulary brand name $75/non-formulary *($45 if medical necessity approved)*	$5/generic $15/brand name *Kaiser Permanente provides up to 100-day supply (or a 30-day supply for certain drugs) through its pharmacies or mail order program.*

PERS Choice & PERSCare Supplement Plans

PPO Supplement to Original Medicare Plans

	PERS Choice		PERSCare
	PPO		PPO
Calendar Year Deductible	None Plan pays Medicare Parts A and B deductible		None Plan pays Medicare Parts A and B deductible
Lifetime Maximum Benefit - Per Individual	$2,000,000 *(after Medicare payments)*		None
Hospital Inpatient and Outpatient	No Charge		No Charge
Physician Services Physician Office Visits Home Visits Hospital Visits Gynecologival Exam Allergy Testing/Treatment	 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
Emergency Services	No Charge		No Charge
Prescription Drug Benefit	**Generic**	**Preferred Brand**	**Non-Preferred Brand**
Applies to PERS Choice and PERSCare Retail Pharmacy* PERS Choice (up to 30-day supply) PERSCare (up to 34-day supply) **short-term use*	 $5	 $15	 $45 *($30 if partial waiver of Non-Preferred Brand copayment approved)*
Retail Pharmacy Maintenance Medications filled after 2nd Fill** PERS Choice (up to 30-day supply) PERSCare (up to 34-day supply) *** A maintenance medication taken longer than 60 days for chronic conditions.*	$10	$25	$75 *($45 if partial waiver of Non-Preferred Brand copayment approved)*
Mail Service Pharmacy *A $1,000 maximum copayment per person per calendar year applies (up to 90-day supply for PERS Choice and PERSCare)*	$10	$25	$75 *($45 if partial waiver of Non-Preferred Brand copayment approved)*

CCPOA Association Plans (HMO)
Basic Plan – Regions North and South

	Copay and/or Benefit Limit
Hospital	
Inpatient	$100 per admission Not covered Access +
Outpatient Facility Services	No Charge Not covered Access +
Outpatient Surgury	$50/visit Not covered Access +
Physician Services	
Office Visits	$15/visit $30/visit Access +
Gynecological Exam	$15/visit $30/visit Access +
Periodic Health Exam	$15/visit
Well-Baby Care	$15/visit $30/visit Access +
Allergy Testing/Treatment	$15/visit
Immunization/Inoculation	No Charge
Vision Exam (Refraction)	$15/visit
Hearing Exam/Screening	$15/visit $30/visit Access +
Inpatient Hospital Visits	No Charge Not covered Access +
Surgery/Anesthesia	No Charge Not covered Access +
Ambulance Service	No Charge
Emergency Services *Waived if hospitalized or kept for observation – if admitted, $100 per admission fee will apply*	$75/visit
Prescription Drug Benefit	
Deductible	$50 calendar year brand name drug deductible per member, not to exceed $150 per family
Retail Pharmacy *(up to 93-day supply)*	$10/generic $25/formulary brand name $50/non-formulary
Mail Order Program *(up to 90-day supply)*	$20/generic $50/formulary brand name $100/non-formulary

CCPOA Association Plans (HMO)

Medicare Plan Supplement to Original Medicare – Regions: North and South

	Copay and/or Benefit Limit
Hospital	
Inpatient	$100 per admission
Outpatient Surgury	No Charge
Physician Services	
Office Visits	$10/visit
Gynecological Exam	No Charge
Periodic Health Exam	No Charge
Allergy Testing/Treatment	$10/visit
Immunization/Inoculation	No Charge
Vision Exam (Refraction)	$10/visit
Hearing Exam/Screening	No Charge
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	No Charge
Ambulance Service	No Charge
Emergency Services	No Charge
Prescription Drug Benefit	
Retail Pharmacy *(up to 93-day supply)*	$5/generic $20/formulary brand name $35/non-formulary
Mail Order Program *(up to 90-day supply)*	$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	$2,000,000	$2,000,000	None	None
Hospital				
Inpatient	10%	Varies. See EOC	10%	10% (varies)
Outpatient	10%	40%	10%	10% (varies)
Physician Services				
Office Visits	$15 *(waived for preventative care)*	40%	$20 *(deductible does not apply)*	10%
Gynecological Exam	Included in periodic health exam	Included in periodic health exam	Included in periodic health exam	Included in periodic health exam
Periodic Health Exam	No charge; $300/yr maximum; Subcriber, spouse & dependents age 7+	No charge; $300/yr maximum; Subcriber, spouse & dependents age 7+	No charge; $500/yr maximum; Subcriber, spouse & dependents age 17+	No charge; $500/yr maximum; Subcriber, spouse & dependents age 17+
Well-Child Care	No charge & unlimited visits under age 7	No charge & unlimited visits under age 7	No charge Age 6 and under/no limit Age 7 and older/$500 yr max.	No charge Age 6 and under/no limit Age 7 and older/$500 yr max.
Allergy Testing/Treatment	10%	40%	10%	40%
Immunization/Inoculation	10%	40%	Included in well-baby/child care	Included in well-baby/child care
Vision Exam (Refraction)	Not Covered	Not Covered	Not Covered	Not Covered
Hearing Exam/Screening	10%; $200/maximum *(per 36 months)*	40%; $200/maximum *(per 36 months)*	20%; maximum $50/exam with hearing aid purchase	20%; maximum $50/exam with hearing aid purchase
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% (varies)
Non-Emergency	$50* + 10%	$50* + 40%	50%	50% (varies)
** If admitted to the hospital on an inpatient basis, the $50 copayment will be reduced to $25*				
Prescription Drug Benefit				
Retail Pharmacy *CAHP (up to 30-day supply)* *PORAC (up to 34-day supply or 100 pills/units, whichever is more)*	$5/generic $20/single source $25/multi-source	$5/generic $20/single source $25/multi-source	$10/generic $25/ formulary brand name $45/non-formulary brand	Limited Fee Schedule
Retail Pharmacy Maintenance Medications filled after 2nd Fill** *CAHP (up to 30-day supply)* *** A maintenance medication taken longer than 60 days for chronic conditions.*	$10/generic $40/single source $50/multi-source	$10/generic $40/single source $50/multi-source	Not Applicable	Not Applicable
Mail Order Program *CAHP (up to 90-day supply)* *PORAC (up to 90-day supply or 100 pills/units, whichever is more)*	$10/generic $40/single source $50/multi-source	$10/generic $40/single source $50/multi-source	$20/generic $40/ formulary brand name $75/non-formulary brand	Not Applicable

CAHP & PORAC Association Plans (PPOs)

PPO Supplement to Original Medicare

	CAHP Copays/Limits	PORAC Copays/Limits
Deductibles	$100/individual $200/family *(Major Medical deductible)*	$100/individual $200/family *(Major Medical deductible)*
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
Gynecological Exam	No Charge	No Charge
Periodic Health Exam	Not covered unless Medicare approved	Not covered unless Medicare approved
Allergy Testing/Treatment	No Charge	No Charge
Immunization/Inoculation	No Charge	No Charge
Vision Exam (Refraction)	Not Covered	20%; $40 maximum frames and lens combined
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 *(up to 30-day supply)* *CAHP: Diabetic supplies paid under medical benefit.* *PORAC: $50 deductible/member for retail only*	$5/generic $20/single source $25/multi-source	**PPO Provider:** $10/generic $25/formulary brand name $45/non-formulary brand name **Non-PPO:** Limited to strict fee schedule.
Retail Pharmacy Maintenance Medications filled after 2nd fill** *CAHP (up to 30-day supply)* *** A maintenance medication taken longer than 60 days for chronic conditions.*	$10/generic $40/single source $50/multi-source	Not Applicable
Mail Order Program *(90-day supply)*	$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	Basic: $50 per person, up to $150 annual maximum per family Enhanced: $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

2007 Health Plan Rates			
Basic Plans - HMO			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
Blue Shield	$436.11	$872.22	$1,133.89
Western Health Advantage	$395.85	$791.70	$1,029.21
Kaiser	$401.69	$803.38	$1,044.39
Kaiser Out-of-State - Colorado	$577.82	$1,155.64	$1,502.33
Kaiser Out-of-State - Georgia	$577.82	$1,155.64	$1,502.33
Kaiser Out-of-State - Hawaii	$577.82	$1,155.64	$1,502.33
Kaiser Out-of-State - Mid-Atlantic	$577.82	$1,155.64	$1,502.33
Kaiser Out-of-State - Northwest	$577.82	$1,155.64	$1,502.33
Kaiser Out-of-State - Ohio	$577.82	$1,155.64	$1,502.33
Basic Plans - PPO			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
PERS Choice	$450.67	$901.34	$1,171.74
PERSCare	$761.88	$1,523.76	$1,980.89
Basic Association Plans			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
CAHP	$476.24	$891.27	$1,143.11
CCPOA - North	$388.62	$777.42	$1,049.09
CCPOA - South	$320.71	$641.58	$866.42
PORAC	$439.00	$822.00	$1,045.00

2007 Health Plan Rates			
Supplement/Managed Medicare Plans - HMO			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
Blue Shield	$318.95	$637.90	$956.85
Western Health Advantage	$296.86	$593.72	$890.58
Kaiser	$289.68	$579.36	$869.04
Kaiser Out-of-State - Colorado	$271.78	$543.56	$815.34
Kaiser Out-of-State - Georgia	$271.78	$543.56	$815.34
Kaiser Out-of-State - Hawaii	$271.78	$543.56	$815.34
Kaiser Out-of-State - Mid-Atlantic	$271.78	$543.56	$815.34
Kaiser Out-of-State - Northwest	$271.78	$543.56	$815.34
Kaiser Out-of-State - Ohio	$271.78	$543.56	$815.34
Supplement/Managed Medicare Plans - PPO			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
PERS Choice	$341.75	$683.50	$1,025.25
PERSCare	$371.68	$743.36	$1,115.04
Supplement/Managed Medicare Association Plans			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
CAHP	$354.00	$655.00	$832.00
CCPOA - North	$283.17	$566.50	$846.67
CCPOA - South	$283.17	$566.50	$846.67
PORAC	$351.00	$701.00	$1,049.00

2007 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	$755.06	$1,074.01	$1,016.73
Western Health Advantage	$692.71	$989.57	$930.22
Kaiser	$691.37	$981.05	$932.38
Kaiser Out-of-State - Colorado	$849.60	$1,121.38	$1,196.29
Kaiser Out-of-State - Georgia	$849.60	$1,121.38	$1,196.29
Kaiser Out-of-State - Hawaii	$849.60	$1,121.38	$1,196.29
Kaiser Out-of-State - Mid-Atlantic	$849.60	$1,121.38	$1,196.29
Kaiser Out-of-State - Northwest	$849.60	$1,121.38	$1,196.29
Kaiser Out-of-State - Ohio	$849.60	$1,121.38	$1,196.29

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	$792.42	$1,134.17	$1,062.82
PERSCare	$1,133.56	$1,505.24	$1,590.69

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	$821.03	$998.03	$1,096.00
CCPOA - North	$671.95	$952.12	$943.62
CCPOA - South	$604.04	$884.21	$828.88
PORAC	$789.00	$1,137.00	$1,012.00

2007 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	$755.06	$1,016.73	$899.57
Western Health Advantage	$692.71	$930.22	$831.23
Kaiser	$691.37	$932.38	$820.37
Kaiser Out-of-State - Colorado	$849.60	$1,196.29	$890.25
Kaiser Out-of-State - Georgia	$849.60	$1,196.29	$890.25
Kaiser Out-of-State - Hawaii	$849.60	$1,196.29	$890.25
Kaiser Out-of-State - Mid-Atlantic	$849.60	$1,196.29	$890.25
Kaiser Out-of-State - Northwest	$849.60	$1,196.29	$890.25
Kaiser Out-of-State - Ohio	$849.60	$1,196.29	$890.25
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	$792.42	$1,062.82	$953.90
PERSCare	$1,133.56	$1,590.69	$1,200.49
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	$835.50	$1,059.50	$965.86
CCPOA - North	$671.97	$943.64	$838.17
CCPOA - South	$604.04	$828.88	$791.34
PORAC	$734.00	$957.00	$924.00

2007 Dental Plan Rates - State Sponsored Plans			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
DeltaPremier[1]	$46.95	$82.72	$120.01
Delta PPO[2]	$40.50	$79.44	$119.89
Safeguard SOC Enhanced Plan[3]	$14.78	$25.02	$30.82
PMI Delta Care[3]	$17.35	$28.47	$39.38

[1]Employee Share: 1 party - $11.74 / 2 party - $20.68 / 3 or more party - $30.00

[2]Employee Share: 1 party - $10.12 / 2 party - $19.86 / 3 or more party - $29.97

[3]Provided at no cost to the retiree

SECTION D

SUMARY OF PARTICIPANT DATA

SUMMARY OF PARTICIPANT DATA

Other Postemployment Benefits
Sponsored by the
State of California

As of July 1, 2007

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

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**	**CSUPOFF**	**POFF excluding CSU**	**All State POFF**	**Other State Safety**	**Judges Ret. System**	**Legislative Retirement System**	**Total**
Blue Shield	2,835	13,118	15,953	606	179	50	3,170	3,220	1,551	89	11	21,609
CAHP	-	24	24	1	3,958	-	2	2	2	-	-	3,987
CCPOA	-	13	13	5	-	-	852	852	26	-	-	896
Kaiser	6,047	27,782	33,829	1,045	701	45	4,324	4,369	2,451	133	14	42,542
Kaiser Out-of-State	175	576	751	25	21	1	111	112	75	1	-	985
PERSCare	5,942	20,241	26,183	832	330	12	1,347	1,359	1,861	935	74	31,574
PERS Choice	4,709	14,245	18,954	741	822	62	5,197	5,259	2,475	247	23	28,521
PORAC	2	16	18	3	5	18	155	173	15	-	-	214
Western Health	19	410	429	25	6	1	51	52	31	2	-	545
Total	**19,729**	**76,425**	**96,154**	**3,283**	**6,022**	**189**	**15,209**	**15,398**	**8,487**	**1,407**	**122**	**130,873**

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	3,043	6,711	5,763	3,405	1,814	873	10,620	10,989
CAHP	443	556	2,404	42	497	45	3,344	643
CCPOA	119	122	303	74	227	51	649	247
Kaiser	6,537	14,844	11,404	5,913	2,482	1,362	20,423	22,119
Kaiser Out-of-State	135	388	263	150	29	20	427	558
PERSCare	5,526	15,886	7,295	2,590	226	51	13,047	18,527
PERS Choice	4,135	7,607	9,749	4,111	2,169	750	16,053	12,468
PORAC	23	25	110	13	37	6	170	44
Western Health	69	146	153	98	52	27	274	271
Total	**20,030**	**46,285**	**37,444**	**16,396**	**7,533**	**3,185**	**65,007**	**65,866**

California State Employees

Distribution of Current Retirees by Medical/Rx Benefit Plan

	Under 65	At Least 65	Total
Blue Shield	11,668	9,941	21,609
CAHP	1,966	2,021	3,987
CCPOA	744	152	896
Kaiser	16,137	26,405	42,542
Kaiser Out-of-State	385	600	985
PERSCare	2,326	29,248	31,574
PERS Choice	15,129	13,392	28,521
PORAC	174	40	214
Western Health	359	186	545
Total	**48,888**	**81,985**	**130,873**

Distribution of Current Retirees by Medical/Rx Benefit Coverage Type

	Under 65	At Least 65	Total
One Party	19,251	47,064	66,315
Two Party	20,803	33,037	53,840
Family	8,834	1,884	10,718
Total	**48,888**	**81,985**	**130,873**

California State Employees			
Distribution of Retiree Medical/Rx Benefit by Age			
Attained Age	**Male**	**Female**	**Total**
Under 40	365	304	669
40-44	589	609	1,198
45-49	1,079	1,278	2,357
50-54	3,187	3,165	6,352
55-59	8,214	7,957	16,171
60-64	11,818	10,323	22,141
65-69	11,638	9,905	21,543
70-74	9,738	8,538	18,276
75-79	8,126	8,014	16,140
80-84	5,929	7,852	13,781
85-89	3,202	5,174	8,376
90 & Over	1,122	2,747	3,869
Totals	**65,007**	**65,866**	**130,873**

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**	**Total**
CAHP/Blue Cross	-	6	6	-	1,936	-	1	1	-	-	-	1,943
Delta Dental PPO	3,288	9,780	13,068	463	491	4	1,960	1,964	1,084	2	1	17,073
Delta Dental Premier - Indemnity	14,919	57,855	72,774	2,478	3,230	156	11,909	12,065	6,137	8	6	96,698
PMI - Prepaid	1,545	3,522	5,067	141	45	24	271	295	337	-	-	5,885
Safeguard Enhanced – Prepaid	9	3,653	3,662	158	157	-	687	687	530	-	-	5,194
Total	**19,761**	**74,816**	**94,577**	**3,240**	**5,859**	**184**	**14,828**	**15,012**	**8,088**	**10**	**7**	**126,793**

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**
CAHP/Blue Cross	170	69	1,253	32	388	31	1,811	132
Delta Dental PPO	2,428	5,002	5,951	2,158	1,120	414	9,499	7,574
Delta Dental Premier - Indemnity	13,740	32,302	27,210	14,430	6,277	2,739	47,227	49,471
PMI - Prepaid	896	2,208	1,382	815	358	226	2,636	3,249
Safeguard Enhanced – Prepaid	821	1,956	1,284	615	341	177	2,446	2,748
Total	**18,055**	**41,537**	**37,080**	**18,050**	**8,484**	**3,587**	**63,619**	**63,174**

California State Employees			
Distribution of Current Retirees by Dental Benefit Plan			
	Under 65	**At Least 65**	**Total**
CAHP/Blue Cross	1,439	504	1,943
Delta Dental PPO	5,402	11,671	17,073
Delta Dental Premier - Indemnity	37,121	59,577	96,698
PMI - Prepaid	1,834	4,051	5,885
Safeguard Enhanced – Prepaid	1,436	3,758	5,194
Total	**47,232**	**79,561**	**126,793**
Distribution of Current Retirees by Dental Benefit Coverage Type			
	Under 65	**At Least 65**	**Total**
One Party	17,426	42,166	59,592
Two Party	20,455	34,675	55,130
Family	9,351	2,720	12,071
Total	**47,232**	**79,561**	**126,793**

California State Employees			
Distribution of Retiree Dental Benefit Plan by Age			
Attained Age	**Male**	**Female**	**Total**
Under 40	325	264	589
40-44	557	551	1,108
45-49	1,022	1,184	2,206
50-54	3,051	2,973	6,024
55-59	7,915	7,753	15,668
60-64	11,536	10,101	21,637
65-69	11,541	9,816	21,357
70-74	9,640	8,413	18,053
75-79	8,095	7,705	15,800
80-84	5,797	7,384	13,181
85-89	3,098	4,707	7,805
90 & Over	1,042	2,323	3,365
Totals	**63,619**	**63,174**	**126,793**

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	152							152
20-24	4,904	44						4,948
25-29	12,414	3,367	18					15,799
30-34	11,118	10,031	1,806	50	1			23,006
35-39	10,030	10,905	7,177	2,368	35	3	1	30,519
40-44	8,288	9,315	7,098	8,449	2,644	123	3	35,920
45-49	7,536	8,840	6,289	8,852	6,929	3,451	202	42,099
50-54	6,620	7,416	5,140	7,575	5,905	6,216	2,919	41,791
55-59	5,017	5,249	3,819	5,459	3,913	4,020	3,971	31,448
60-64	2,437	2,635	1,889	2,459	1,647	1,349	1,792	14,208
65 & Over	1,358	1,092	689	846	487	330	486	5,288
Totals	**69,874**	**58,894**	**33,925**	**36,058**	**21,561**	**15,492**	**9,374**	**245,178**

SECTION E

ACTUARIAL ASSUMPTIONS AND METHODS

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Other Postemployment Benefits
Sponsored by the
State of California

As of July 1, 2007

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. 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.

<u>Actuarial Assumptions and Methods</u>

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:

- 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 4.5 percent for the pay-as-you-go policy, 6.125 percent for the partially funded policy, and 7.75 percent for the fully funded policy. 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 10 percent for 2008 graded down over a nine year period until an ultimate trend rate of 4.5 percent is reached in 2017. For the dental plans, select and ultimate trend rates were set at 6 percent for the 2008 graded down over a three year period until the ultimate rate of 4.5 percent is reached in 2011. The dental trend rate assumption deviated slightly from the CalPERS OPEB assumptions 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 waiving coverage or 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	4.500%
Partial funding	6.125%
Full funding	7.750%

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

Health Cost and Premium Increases – *See table below*

	Trend Assumption		
Year	Medical	Rx	Dental
2008	10.00%	10.00%	6.00%
2009	9.50%	9.50%	5.50%
2010	9.00%	9.00%	5.00%
2011	8.50%	8.50%	4.50%
2012	8.00%	8.00%	4.50%
2013	7.50%	7.50%	4.50%
2014	7.00%	7.00%	4.50%
2015	6.50%	6.50%	4.50%
2016	5.50%	5.50%	4.50%
2017 and Beyond	4.50%	4.50%	4.50%

Medical, Rx, and Dental Trend is assumed to occur 1/1 of each year beginning 1/1/2008. Premium increases are assumed to occur 1/1 of each year beginning 1/1/2008.

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 would continue coverage to their spouse upon death.

Price Inflation: Price inflation is assumed to be 3 percent.

Wage inflation: Wage inflation is assumed to be 3.25 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 3.11 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 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 2004, 2005, and 2006. 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%	2.88%	3.97%	5.76%	5.34%	2.37%	0.00%	0.00%
50	3.61%	2.48%	2.93%	3.87%	5.47%	4.29%	0.00%	0.00%
55	3.11%	2.17%	2.21%	2.72%	5.07%	3.28%	0.00%	0.00%
60	2.75%	1.93%	1.68%	1.93%	4.12%	1.31%	0.00%	0.00%
65	2.46%	1.73%	1.26%	1.32%	0.00%	0.00%	2.46%	1.73%
70	2.23%	1.57%	0.91%	0.82%	0.00%	0.00%	2.23%	1.57%
75	2.04%	1.43%	0.60%	0.38%	0.00%	0.00%	2.04%	1.43%
80	1.89%	1.31%	0.32%	0.00%	0.00%	0.00%	1.89%	1.31%
85	1.76%	1.21%	0.05%	0.00%	0.00%	0.00%	1.76%	1.21%
90	1.64%	1.12%	0.00%	0.00%	0.00%	0.00%	1.64%	1.12%

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 2004, 2005, and 2006 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 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				
	PERS Choice - PPO			
	Medical		Prescription	
Age	Male	Female	Male	Female
50	$323.12	$323.12	$118.75	$118.75
55	385.76	365.26	137.19	143.57
60	449.69	406.72	153.07	164.20
65	112.62	97.87	194.09	210.72
70	127.17	106.63	206.63	225.00
75	142.00	115.25	216.16	234.39
80	157.12	123.72	222.71	238.89

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
	PERSCare - PPO			
	Medical		Prescription	
Age	Male	Female	Male	Female
50	$493.39	$493.39	$139.76	$139.76
55	589.04	557.74	161.47	168.98
60	686.67	621.05	180.16	193.26
65	131.70	114.45	195.82	212.60
70	148.72	124.70	208.47	227.01
75	166.06	134.78	218.09	236.48
80	183.74	144.68	224.69	241.01

Costs for Retirees and Spouses (Expected Monthly Per Capita Costs)		
	All HMO Plans	
	Medical/Rx	
Age	Male	Female
50	$389.68	$431.49
55	507.95	522.58
60	652.95	620.22
65	259.91	242.96
70	293.48	264.72
75	327.72	286.10
80	362.61	307.12

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 2005 and 2006. Dental costs do not vary by age or gender.

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
	Dental Plans			
	DPO/Indeminity		Pre-Paid Plans	
Age	First Person	Second Person	First Person	Second Person
50	$47.77	$36.16	$17.58	$10.63
55	47.77	36.16	17.58	10.63
60	47.77	36.16	17.58	10.63
65	47.77	36.16	17.58	10.63
70	47.77	36.16	17.58	10.63
75	47.77	36.16	17.58	10.63
80	47.77	36.16	17.58	10.63

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.

APPENDIX

GLOSSARY

GLOSSARY

Other Postemployment Benefits
Sponsored by the
State of California

As of July 1, 2007

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. Decrement 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.

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.

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.

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.

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.

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 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.