Gabriel Roeder Smith & Company
Consultants & Actuaries

STATE OF CALIFORNIA RETIREE HEALTH BENEFITS PROGRAM

GASB NOS. 43 AND 45 ACTUARIAL VALUATION REPORT
AS OF JUNE 30, 2015

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January 26, 2016

The Honorable Betty Yee
California State Controller
300 Capitol Mall, Suite 1850
Sacramento, CA 95812

Dear Controller Yee:

Submitted in this report are the results of our actuarial valuation of the liabilities associated with the retiree healthcare benefits provided to statewide employees through the programs sponsored by the State of California as administered by the California Public Employees Retirement System (CalPERS) and the California Department of Human Resource (CalHR). The valuation was based on census information as of June 30, 2015, and measures actuarial liabilities as of June 30, 2015. The report includes expense and financial reporting information applicable to fiscal year-end June 30, 2016, and a projection of annual expense for fiscal year-end June 30, 2017. This report was prepared at the request of the State Controller's Office (SCO) for the purpose of satisfying the State of California's financial reporting requirements.

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

The valuation was based on information furnished by the SCO, CalPERS and CalHR concerning retiree healthcare benefits, members' census and financial data. Data was reviewed for reasonableness and internal consistency but was not otherwise audited. We are not responsible for the accuracy or completeness of the information received to produce this valuation. The assumptions and methods used in this valuation are consistent with the CalPERS Other Postemployment Benefits (OPEB) assumption model and with the pension assumptions that will be used in the 2015 actuarial valuations of the CalPERS statewide pension programs. The assumptions and methods were approved by the SCO.

To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Retiree Healthcare Benefit Program sponsored by the State of California as of June 30, 2015. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

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

The signing actuaries are independent of the plan sponsor.

Alex Rivera, Lance Weiss, and Paul Wood are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company

Alex Rivera Lance J. Weiss Paul T Wood

Alex Rivera, FSA, EA, MAAA	Lance Weiss, EA, MAAA	Paul T. Wood, ASA, 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 June 30, 2015

Introduction

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

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

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

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

1) An actuarial valuation as of June 30, 2015, of the retiree healthcare benefits sponsored by the State of California for statewide employees based upon the plan and funding policy provisions in effect as of June 30, 2015;
2) Expense and financial reporting information for fiscal year-end June 30, 2016;
3) Projection of expense for fiscal year-end June 30, 2017; and
4) Alternative valuation results showing the financial impact of pre-funding retiree healthcare benefits.

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

Background and Key Definitions

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

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

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

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

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

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

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

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

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

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

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

The State and CHP established an account with the California Employees' Retiree Benefit Trust (CERBT) to prefund OPEB. As of January of 2010, the State and CHP members each made contributions of 0.5 percent of compensation. From July 1, 2014, through June 30, 2015, total contributions of $41.86 million were made to the CHP OPEB account, and the account balance has grown from $37.59 million as of July 1, 2014, to approximately $78.57 million as of June 30, 2015.

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

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

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

> *Pursuant to the recommendations of the Public Employee Post-Employment Benefits Commission, the parties recognize the importance of beginning to prefund liabilities for retiree health benefits. The State and Union hereby agree to share in the responsibility toward beginning the prefunding of these liabilities for members of Bargaining Unit 12; and, agree that the foregoing concepts will be implemented as a means to begin to offset the future financial liability for health benefits for retired members.*
>
> 1) *Beginning July 1, 2013, employees shall contribute 0.5% of base salary toward prefunding of retiree health benefits (deferred from July 1, 2010).*
> 2) *Employee contributions shall be deducted from employee salary on a pre-tax basis.*
> 3) *Contributions paid pursuant to this agreement shall not be recoverable under any circumstances to an employee or his/her beneficiary or survivor.*
> 4) *The costs of administering payroll deductions and asset management shall be deducted from the contributions and/or account balance.*

> *The Governor's Public Employee Post-Employment Benefits Commission made recommendations regarding the need to prefund retiree health care obligations. This agreement represents a first step toward achieving that goal.*
>
> *The parties agree to support any legislation necessary to initiate prefunding of retiree health care obligations.*

The State and BU-12 established an account with the CERBT to prefund OPEB. From July 1, 2014, through June 30, 2015, total contributions of $2.24 million were made to the BU-12 OPEB account, and the account balance has grown from $2.27 million as of July 1, 2014, to $4.51 million as of June 30, 2015.

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

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

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

> *Pursuant to the recommendation of the Governor's Public Employee Post-Employment Benefits Commission, the parties recognize the importance of beginning to prefund liabilities for retiree health benefits. The State and Union hereby agree to share in the responsibility toward beginning the prefunding of these liabilities for members of Bargaining Unit 16; and, agree that the foregoing concepts will be implemented as a means to begin to offset the future financial liability for health benefits for retired members.*
>
> 1) *Beginning July 1, 2013, employees shall contribute 0.5% of base salary toward prefunding of retiree health benefits.*
> 2) *Employee contributions shall be deducted from employee salary on a pre-tax basis.*
> 3) *Contributions paid pursuant to this agreement shall not be recoverable under any circumstances to an employee or his/her beneficiary or survivor.*
> 4) *The costs of administering payroll deductions and asset management shall be deducted from the contributions and/or account balance.*
>
> *The Governor's Public Employee Post-Employment Benefits Commission made recommendations regarding the need to prefund retiree health care obligations.*
>
> *The Union agrees that it will not oppose legislation to initiate prefunding of retiree health care obligations.*

The State and BU-16 established an account with the CERBT to prefund OPEB. From July 1, 2014, through June 30, 2015, total contributions of $1.54 million were made to the BU-16 OPEB account, and the account balance has grown from $1.47 million as of July 1, 2014, to $3.02 million as of June 30, 2015.

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

Assets for Bargaining Units participating in the CERBT are allocated to the various pension groups based upon the accrued liability calculated as of June 30, 2014, in the GASB 43 valuations for each respective Bargain Unit.

For further information regarding BU-5, BU-12 and BU-16 pre-funding arrangements, please refer to the GASB No. 43 valuation report.

Healthcare Related Assumption Changes

GRS performed a review of the healthcare related actuarial assumptions used to value the liabilities associated with the retiree healthcare benefits provided to statewide employees through the programs sponsored by the State of California as administered by CalPERS and CalHR. The primary purpose of the study was to determine the continued appropriateness of the current healthcare related actuarial assumptions by comparing actual experience to expected experience. The study was based on healthcare census information, claims experience data and actuarial valuations for the period from July 1, 2007, to June 30, 2014. The updated actuarial assumptions determined by this study are used for the GASB Nos. 43 and 45 valuation effective with the July 1, 2015, valuation.

Following is a summary of the key assumptions and changes:

- **GASB Nos. 43 and 45 discount rate –** Maintain the current discount rate of 4.25 percent under the pay-as-you-go funding policy and continue to review the partial and full funding policy discount rates each year in relation to the rate expected to be earned under Strategy 1 as disclosed in the CalPERS OPEB assumption model.
- **Health cost and premium increases –** Continue the use of a select and ultimate trend assumption and the use of the most recent premium information available at the time of the valuation.
- **Impact of the excise tax –** Increase the ultimate trend rate for future retirees by an additional 0.14 of a percentage point to 4.64 percent on and after 2023.
- **Participation percentage –** Update these assumptions based on the experience of the plan. The updates included increasing the participation assumption for new retirees covered while active and decreasing the participation assumption for new retirees who were not covered while active.
- **Percent of disabilities treated as Medicare eligible –** Update this assumption based on the experience of the plan to five percent of Public Safety disabilities and 35 percent of all other disabilities are assumed to be eligible for Medicare.
- **Coverage and continuance assumptions –** Maintain the current assumption 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, 100 percent of surviving spouses are assumed to continue coverage after the death of the retiree.
- **Aging factors –** Update these factors based on more recent gross claims data.

- **Aged per capita claim cost based on updated aging factors – medical and prescription –** Update the per capita claims costs based on the updated aging factors.
- **Adjustments for disabled members –** Slightly lower the load applied to the expected claims for disabled members.
- **Adjustments for children of current retirees and survivors –** Update the load applied to the expected claims to account for children of current retirees and survivors.
- **Per capita claim cost – dental –** Maintain the current assumption.
- **Medicare Part B premiums –** Maintain the current assumption.
- **Employer Group Waiver Plan –** Maintain the current assumption and review the load at each future valuation date.
- **Actuarial cost method, amortization method, and asset valuation method –** Maintain the current cost method, amortization method, and asset valuation method.
- **Data processing assumptions –** Continue to review the data each year to determine whether or not certain assumptions need to be made and whether or not assumptions relating to data adjustments will have a material impact on the valuation.

<u>California State Employees – GASB No. 45 Valuation Results</u>

The following section presents the key GASB No. 45 valuation and accounting results for retiree healthcare benefits offered to California State employees. The Actuarial Accrued Liabilities are measured as of June 30, 2015, based on census data as of June 30, 2015.

The Annual Required Contribution (ARC) is defined as the Normal Cost plus a 30-year open level-percent-of-pay amortization of the Unfunded Actuarial Accrued Liability. The Net OPEB Obligation as of June 30, 2015, is $22.48 billion. The ARC applicable to fiscal year-end June 30, 2016, is based on the results of the actuarial valuation as of June 30, 2014, projected to June 30, 2015, based on a wage inflation increase of 3.00 percent.

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

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

Pay-as-you-go funding at 4.25 percent - $74.19 billion Actuarial Accrued Liability

The pay-as-you-go funding scenario produced an actuarial accrued liability of $74.19 billion as of June 30, 2015, an ARC of $5.62 billion for fiscal year-end June 30, 2016, estimated employer contributions of $1.97 billion for fiscal year-end June 30, 2016, and an expected Net OPEB Obligation of $26.20 billion at fiscal year-end June 30, 2016.

Full-funding at 7.28 percent - $48.50 billion Actuarial Accrued Liability

The full-funding scenario produced an actuarial accrued liability of $48.50 billion as of June 30, 2015, an ARC of $3.99 billion for fiscal year-end June 30, 2016, estimated employer contributions of $3.99 billion for fiscal year-end June 30, 2016, and an expected Net OPEB Obligation of $22.85 billion at fiscal year-end June 30, 2016.

Partial-funding at 5.765 percent - $59.29 billion Actuarial Accrued Liability

The partial-funding scenario produced an actuarial accrued liability of $59.29 billion as of June 30, 2015, an ARC of $4.64 billion for fiscal year-end June 30, 2016, estimated employer contributions of $2.98 billion for fiscal year-end June 30, 2016, and an expected Net OPEB Obligation of $24.37 billion at fiscal year-end June 30, 2016.

Comparison of Key Valuation Results

Fiscal Year Ending June 30, 2016 ($ in billions)	Pay-As-You-Go Funding (4.250%)	Full Funding Policy (7.280%)	Partial Funding Policy (5.765%)
Actuarial Accrued Liability as of June 30, 2015	$74.19	$48.50	$59.29
Annual Required Contribution for FY 2016[a]	$5.62	$3.99	$4.64
Annual OPEB Cost for FY 2016	$5.69	$4.35	$4.86
Expected Employer Contribution for FY 2016	$1.97	$3.99	$2.98
Expected Net OPEB Obligation at FYE 2016	$26.20	$22.85	$24.37
Annual Required Contribution for FY 2017[b]	$5.77	$4.11	$4.77

[a] *Based on actuarial valuation as of June 30, 2014, increased by wage inflation of 3.00 percent.*

[b] *Based on actuarial valuation as of June 30, 2015, increased by wage inflation of 3.00 percent.*

Fully funding retiree healthcare benefits increases cash contributions by 103 percent from $1.97 billion to $3.99 billion; however, the result is a smaller increase in the expected balance sheet liability at fiscal year-end 2016. Under the full funding scenario, the balance sheet liability is expected to increase from $22.48 billion at fiscal year-end 2015 to $22.85 billion at fiscal year-end 2016. The partial funding policy also controls the growth in the balance sheet liability. Under the partial funding policy the balance sheet liability is expected to increase from $22.48 billion to $24.37 billion at fiscal year-end 2016. This compares to a balance sheet liability of $26.20 billion under the pay-as-you-go funding policy at fiscal year-end 2016.

Basis of actuarial valuation

The preceding valuation results were based on:

- The provisions of GASB Statements No. 43 and 45.
- The provisions of Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefit Obligations.*
- Census information as of June 30, 2015, provided by the California Public Employees Retirement System (CalPERS) and the California Department of Human Resource (CalHR).

- Claims, enrollment data and average costs provided by CalPERS and CalHR for the period from January 1, 2012, to May 31, 2015.
- Premium data through calendar year 2016, provided by CalPERS and CalHR.
- Employer Group Waiver Plan (EGWP) information provided by CalPERS.
- Medicare Advantage design and premium rate information provided by CalPERS.
- Plan information provided by CalPERS and CalHR.
- Demographic assumptions consistent with those that will be used in the 2015 actuarial valuations of the CalPERS statewide pension programs.
- Retiree healthcare valuation assumptions and methods consistent with the CalPERS OPEB assumption model.
- Economic and other demographic assumptions such as the discount rate, healthcare inflation, healthcare claim costs and healthcare plan participation as recommended by Gabriel, Roeder, Smith & Company and approved by the SCO.
- The latest developments in Federal healthcare reform.
- The Net OPEB Obligation as of June 30, 2015, was estimated for each State group using:
  - The Net OPEB Obligation as of June 30, 2014;
  - Annual OPEB Cost for fiscal year-end 2015 as developed in the valuation report as of June 30, 2014; and
  - Actual employer contributions for fiscal year-end June 30, 2015, as provided by the SCO, allocated by the number of retirees disclosed in the valuation report as of June 30, 2014.
- The Unfunded Actuarial Accrued Liability (UAAL) is amortized over a 30-year open period as a level percent of pay. For the Legislative Retirement System, the UAAL is amortized over a ten-year open period as a level dollar amount.

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

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

- An overview of the current GASB Statements No. 43 and 45 requirements in effect on June 30, 2015.
- The basis of the actuarial assumptions and methods used in this valuation.
- Valuation results by employer group.
- Fiscal year-end 2015 financial disclosure information.
- Additional details on the census, plan provisions, assumptions and methods used to prepare the valuation.

GASB Statement Nos. 74 and 75

Currently, the applicable accounting standards for OPEB plans are found in GASB Statement Nos. 43 and 45. On June 2, 2015, the GASB released two new accounting standards applicable to OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

Statement 75

Statement 75 replaces the GASB Statement No. 45. The new Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

Statement 75 requires governments to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. Also, the Statement changes the way in which the discount rate for a Plan that is being pre-funded is calculated. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

Statement 74

Statement 74 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria.

The Statement requires a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement also requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments.

Effective Dates

The provisions in Statement 74 are first effective for the fiscal year beginning July 1, 2016. The provisions in Statement 75 are first effective for the fiscal year beginning July 1, 2017.

Potential Impact of New Accounting

As a result of the new accounting standards, the annual expense and OPEB liability amounts will become much more volatile. The discount rate for plans funded on a pay-as-you-go basis will now be tied to a municipal bond index resulting in a rate that will fluctuate from year to year. These new standards are required for accounting purposes and may result in different results if the State begins to pre-fund the benefits.

SECTION A

CURRENT OVERVIEW

CURRENT OVERVIEW

Summary of GASB Accounting Standards

Other Postemployment Benefits
Sponsored by the
State of California

As of June 30, 2015

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

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

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

The State of California currently finances retiree healthcare benefits on a pay-as-you-go basis; however, Bargaining Units 5, 12 and 16 recently bargained for a modest level of pre-funding. As of June 30, 2015, there is approximately $86.09 million in assets available to pay future retiree healthcare benefits currently invested in the CalPERS California Employers' Retiree Benefit Trust between the three Bargaining Units.

Annual OPEB Cost and Net OPEB Obligation

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

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

- Development of Annual OPEB Costs for the current fiscal year.
- Development of the Net OPEB Obligation at fiscal year-end.
- Historical Annual OPEB Costs and Employer Contributions.

- Historical Actuarial Accrued Liabilities and Assets.
- Basis for valuation including brief description of plan benefits, funding policy and assumptions and methods.

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

Unfunded Actuarial Accrued Liability for OPEB

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

Pre-funding Reduces OPEB Expense and Unfunded Actuarial Accrued Liability

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

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

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

Discount Rate Assumption

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

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

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

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

Healthcare Trend Assumptions

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

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

The long-term healthcare trend is generally lower than the short-term healthcare trend used to update premiums and expected claims in the following fiscal year because such short-term increases are generally not sustainable in the long-term. That is, if healthcare benefit costs are assumed to increase by nine percent per year in the long-term while the cost for other goods and services increase at a rate less than six percent per year, then in the long run the general economy would include a disproportionate share of expenditures allocated to healthcare benefits. Consequently, long-term retiree healthcare actuarial models generally assume that the initial trend rate will eventually grade down to a more sustainable level. For this valuation, the 2016 trend rates are based on actual premium increases from calendar 2015 to 2016. Based on a review of supporting documentation provided by CalPERS and a review of various publically available trend studies, the 2016 trend rate for the PPO per capita claims costs is assumed to be 10.00 percent for Pre-Medicare medical, 11.00 percent for Pre-Medicare prescription, 7.00 percent for Post-Medicare medical and 11.00 for Post-Medicare prescription. For 2017 and beyond we assumed an initial healthcare trend rate of 8.00 percent decreasing each year over the next five years until the ultimate rate of 4.50 percent is reached.

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

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

1) Fifty percent discount on brand name drugs while member is in the “donut hole” coverage gap. (Under a standard or model Medicare Part D program, a member is responsible for 100 percent of the prescription costs from the initial coverage limit ($2,960 for 2015) to the catastrophic coverage limit ($6,680 for 2015). This coverage gap is also known as the “donut hole.” The discount is also applied to the member’s true out of pocket costs which allows federal catastrophic coverage to be reached sooner.
2) The “donut hole” coverage gap is reduced ratably and completely eliminated by 2020.
3) As the coverage gap diminishes, the sponsor’s “Wrap” supplemental benefits within the “donut hole” decreases.
4) Federal prescription drug subsidies must be used to reduce the cost of providing benefits to Medicare eligible members, resulting in lower premium rates. This feature allows the sponsor to reflect certain EGWP-Wrap savings in the GASB 45 valuation.

Based on updated data from CalPERS, the remaining savings as of June 30, 2015, attributable to the EGWP-Wrap design feature is approximately 34 percent for PERSCare and 35 percent for PERS Choice. Because of plan design differences from the PPO plans and higher than expected increases in premiums, the remaining savings as of June 30, 2015, attributable to the EGWP-Wrap design feature is approximately five percent for the HMO plans

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

Adjustments to Estimate the Impact of Excise Tax under Healthcare Reform

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

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

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

For the valuation as of June 30, 2015, the impact of the excise tax was estimated by:

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

Based on the preceding method, the ultimate trend rate for future retirees was increased by an additional 0.14 of a percentage point to 4.64 percent on and after 2023.

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 95 percent of all eligible retirees elect healthcare coverage.

Other Demographic Assumptions

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

Retiree Per Capita Claim Costs and the Implicit Rate Subsidy

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

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

Community-Rated Plans

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

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

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

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

Actuarial Cost Method

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

Closed Versus Open Group Valuation

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

SECTION B

VALUATION RESULTS

VALUATION RESULTS

Pay-as-you-go Scenario

Other Postemployment Benefits
Sponsored by the
State of California

As of June 30, 2015

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

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

The actuarial liability increased from $71.81 billion as of June 30, 2014, to $74.19 billion as of June 30, 2015. If the plan's assumptions had been exactly realized during the year and no assumptions changes were made, the actuarial liability would have increased to $75.69 billion as of June 30, 2015. The key factors contributing to the unexpected decrease in actuarial liabilities of $1.50 billion include:

- During the year, favorable healthcare claims experience and plan design changes, including the new Medicare Advantage program effective January 1, 2016, decreased the actuarial liability by $1.71 billion. This change in accrued liability is mainly driven by the relationship between the assumed trend rate for claims cost in 2015 used in last year's valuation and the trend rate for 2015 based on actual experience. For example, based on the assumed trend rates for 2015 in last year's valuation, PPO claims costs were expected to increase 7.0 percent. The actual increase was lower than that assumption, thus resulting in a gain.

- Demographic experience did not change the actuarial liabilities significantly. There were most likely offsetting gains and losses that led to this minimal change. Examples of demographic experience gains include: fewer members retiring than assumed, members retiring later than assumed and members not living as long as assumed. Examples of demographic experience losses include: more members retiring than assumed, members retiring earlier than assumed and members living longer than assumed.

- Subsequent to the June 30, 2015, GASB No. 45 actuarial valuation, GRS performed an experience review for the period July 1, 2007 to June 30, 2014, where all healthcare related assumptions were reviewed. Many of these assumptions were updated to reflect actual experience over the seven-year period. These changes have been adopted by the SCO for this valuation. The assumption changes decreased liabilities by approximately $1.83 billion.

- Each year as part of the valuation process, the trend rates are reviewed and updated based on a review of supporting documentation provided by CalPERS and a review of various publically available trend studies. We continue the use of a select and ultimate trend assumption and the use of the most recent premium information available at the time of the valuation. Trend rates for the June 30, 2015, valuation were reviewed and updated since the last valuation. The trend rates are assumed to be 8.00 percent beginning in 2017 graded down to an ultimate rate of 4.50 percent beginning in 2022. This assumption change increased the liabilities by approximately $1.78 billion.

For fiscal year-end June 30, 2016, the ARC is based on the results of the actuarial valuation as of June 30, 2014, projected to the following year. That is, the ARC for fiscal year-end June 30, 2016, of $5.46 billion, developed in the valuation report as of June 30, 2014, was increased by wage inflation of 3.00 percent, which equals $5.62 billion.

The expected employer payments for fiscal year-end June 30, 2016, include $1.74 billion of explicit costs and $0.23 billion of implicit costs. In accordance with the requirements of GASB 45, our valuation of the actuarial liability recognizes all prescription claims for Medicare eligible members paid by the employer.

The projected ARC for fiscal year-end June 30, 2017, is based on the valuation as of June 30, 2015, increased with wage inflation of 3.00 percent and equals $5.77 billion.

CALIFORNIA STATE EMPLOYEES OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s) PAY-AS-YOU-GO FUNDING POLICY (4.250%) (GAIN)/LOSS ANALYSIS	
Actuarial Accrued Liability as of July 1, 2014	$71,814,697
Normal Cost for 14/15[1]	2,621,278
Expected Benefit Payments for 14/15	(1,869,461)
Interest	3,123,803
Expected Actuarial Accrued Liability as of June 30, 2015	$75,690,317
(Gain)/Loss Items	
Healthcare Claims Experience and Design Changes	($1,707,045)
Demographic Experience	256,377
Change in Healthcare Related Assumptions Due to Experience Review	(1,830,155)
Change in Healthcare Trend Assumptions	1,779,405
Total	($1,501,418)
Actuarial Accrued Liability as of June 30, 2015	$74,188,899

[1]*Based on valuation results as of June 30, 2014, and differs from the FY 14/15 normal cost used to develop the ARC for FY 14/15 which was developed in the valuation as of June 30, 2013, increased with the wage inflation assumption of 3.00 percent.*

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s)
PAY-AS-YOU-GO FUNDING POLICY (4.250%)

	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Number of Participants Covered													
Active Participants	43,740	133,559	177,299	11,327	7,227	400	40,704	41,104	26,515	1,690	8	558	265,728
Retired Participants	28,319	89,272	117,591	4,912	7,386	306	27,792	28,098	13,299	1,709	93	156	173,244
Total Participants	72,059	222,831	294,890	16,239	14,613	706	68,496	69,202	39,814	3,399	101	714	438,972
Actuarial Present Value of Proj. Benefits													
Active Participants	$9,664,549	$29,390,313	$39,054,862	$2,505,893	$3,245,296	$146,953	$13,738,955	$13,885,908	$5,793,636	$350,491	$1,329	$132,147	$64,969,562
Retired Participants	5,629,878	16,924,530	22,554,408	971,104	2,361,674	103,515	9,231,730	9,335,245	3,062,927	337,333	17,342	40,947	38,680,980
Total Participants	$15,294,427	$46,314,843	$61,609,270	$3,476,997	$5,606,970	$250,468	$22,970,685	$23,221,153	$8,856,563	$687,824	$18,671	$173,094	$103,650,542
Actuarial Accrued Liability													
Active Participants	$4,822,487	$17,366,443	$22,188,930	$1,276,647	$1,707,037	$71,507	$7,044,303	$7,115,810	$2,926,488	$211,125	$1,095	$80,787	$35,507,919
Retired Participants	5,629,878	16,924,530	22,554,408	971,104	2,361,674	103,515	9,231,730	9,335,245	3,062,927	337,333	17,342	40,947	38,680,980
Total Participants	$10,452,365	$34,290,973	$44,743,338	$2,247,751	$4,068,711	$175,022	$16,276,033	$16,451,055	$5,989,415	$548,458	$18,437	$121,734	$74,188,899
Actuarial Value of Assets	$0	$4,319	$4,319	$167	$78,469	$0	$6	$6	$3,129	$0	$0	$0	$86,090
Unfunded Actuarial Accrued Liability	$10,452,365	$34,286,654	$44,739,019	$2,247,584	$3,990,242	$175,022	$16,276,027	$16,451,049	$5,986,286	$548,458	$18,437	$121,734	$74,102,809
Annual Required Contribution of the Employer (ARC) for YE 6/30/16 [a]													
Normal Cost	$452,110	$1,146,138	$1,598,248	$107,105	$124,379	$6,670	$566,743	$573,413	$278,681	$12,716	$81	$5,293	$2,699,916
Amortization of UAAL	407,618	1,368,392	1,776,010	88,864	160,574	6,788	632,439	639,227	230,714	18,612	2,053	4,616	2,920,670
Total ARC for FYE 6/30/16	**$859,728**	**$2,514,530**	**$3,374,258**	**$195,969**	**$284,953**	**$13,458**	**$1,199,182**	**$1,212,640**	**$509,395**	**$31,328**	**$2,134**	**$9,909**	**$5,620,586**
Per Active Participant (not in '000s)	$19,655	$18,827	$19,031	$17,301	$39,429	$33,645	$29,461	$29,502	$19,212	$18,537	$266,750	$17,758	$21,152
Annual OPEB Cost (AOC) for YE 6/30/16													
ARC for FYE 6/30/16	$859,728	$2,514,530	$3,374,258	$195,969	$284,953	$13,458	$1,199,182	$1,212,640	$509,395	$31,328	$2,134	$9,909	$5,620,586
Interest on NOO at 6/30/15	126,425	396,331	522,756	38,058	48,604	2,312	246,224	248,536	91,048	4,043	325	2,169	955,539
Adjustment to the ARC	(117,469)	(368,253)	(485,722)	(35,362)	(45,160)	(2,148)	(228,780)	(230,928)	(84,597)	(3,757)	(916)	(2,016)	(888,458)
Total AOC for FYE 6/30/16	**$868,684**	**$2,542,608**	**$3,411,292**	**$198,665**	**$288,397**	**$13,622**	**$1,216,626**	**$1,230,248**	**$515,846**	**$31,614**	**$1,543**	**$10,062**	**$5,687,667**
Expected Net Employer Contribution for FYE 6/30/16	**$310,001**	**$934,192**	**$1,244,193**	**$50,716**	**$103,276**	**$4,282**	**$388,868**	**$393,150**	**$150,636**	**$21,067**	**$1,083**	**$1,985**	**$1,966,106**
Actual Net OPEB Obligation at 6/30/15	**$2,974,714**	**$9,325,438**	**$12,300,152**	**$895,481**	**$1,143,613**	**$54,380**	**$5,793,498**	**$5,847,878**	**$2,142,299**	**$95,130**	**$7,651**	**$51,047**	**$22,483,251**
Expected Net OPEB Obligation at 6/30/16	**$3,533,397**	**$10,933,854**	**$14,467,251**	**$1,043,430**	**$1,328,734**	**$63,720**	**$6,621,256**	**$6,684,976**	**$2,507,509**	**$105,677**	**$8,111**	**$59,124**	**$26,204,812**

[a] *Based on results of actuarial valuation as of June 30, 2014, projected to June 30, 2015, using a wage inflation assumption of 3.00 percent. For the Legislative Retirement System, the UAAL is amortized over a ten-year period as a level dollar amount.*

CALIFORNIA STATE EMPLOYEES EXPECTED NET EMPLOYER CASH FLOW - FY 2016 ($ in '000s)													
	State Miscellaneous					**State Police Officers and Firefighters (POFF)**							
	California State University (CSU)	**State Employees excluding CSU**	**All State Misc.**	**State Industrial Members**	**Highway Patrol**	**CSU POFF**	**POFF excluding CSU**	**All State POFF**	**Other State Safety**	**Judges Ret. System**	**Legislative Retirement System**	**County Fair**	**Total**
Employer Share of Claims Costs													
Explicit Costs [a]													
Medical and Rx Claims	$217,477	$662,764	$880,241	$36,986	$75,773	$3,508	$311,642	$315,150	$110,652	$13,768	$724	$1,507	$1,434,801
Part B Reimbursement	42,106	110,810	152,916	5,244	8,317	278	19,943	20,221	13,944	3,525	133	139	204,439
Dental Claims	15,379	51,683	67,062	2,802	4,894	178	17,611	17,789	7,757	1,141	56	99	101,600
Total	**$274,962**	**$825,257**	**$1,100,219**	**$45,032**	**$88,984**	**$3,964**	**$349,196**	**$353,160**	**$132,353**	**$18,434**	**$913**	**$1,745**	**$1,740,840**
Implicit Costs	**$35,039**	**$108,935**	**$143,974**	**$5,684**	**$14,292**	**$318**	**$39,672**	**$39,990**	**$18,283**	**$2,633**	**$170**	**$240**	**$225,266**
Total Employer Costs [b]	**$310,001**	**$934,192**	**$1,244,193**	**$50,716**	**$103,276**	**$4,282**	**$388,868**	**$393,150**	**$150,636**	**$21,067**	**$1,083**	**$1,985**	**$1,966,106**
Retiree Share of Claim Costs													
Medical and Rx Claims	$8,440	$32,978	$41,418	$2,484	$1,444	$227	$18,545	$18,772	$9,519	$463	$44	$239	$74,383
Dental Claims	0	16,052	16,052	873	1,558	0	5,552	5,552	2,401	366	18	31	26,851
Total	**$8,440**	**$49,030**	**$57,470**	**$3,357**	**$3,002**	**$227**	**$24,097**	**$24,324**	**$11,920**	**$829**	**$62**	**$270**	**$101,234**
Total Claims Costs	**$318,441**	**$983,222**	**$1,301,663**	**$54,073**	**$106,278**	**$4,509**	**$412,965**	**$417,474**	**$162,556**	**$21,896**	**$1,145**	**$2,255**	**$2,067,340**

[a] *The explicit employer cost is an estimate of the employer paid premium for the fiscal year-end June 30, 2016. It is based on an actuarial projection of the retiree population using the demographic assumptions contained in Sections E and F of the report, and a projection of premium rates assuming actual trend for fiscal year-end June 30, 2016. The actual explicit employer subsidy will be updated based on the actual blended premium paid by the employer during the fiscal year.*

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

CALIFORNIA STATE EMPLOYEES OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s) PAY-AS-YOU-GO FUNDING POLICY (4.250%) DEVELOPMENT OF FYE 2017 ANNUAL REQUIRED CONTRIBUTION													
	State Miscellaneous					**State Police Officers and Firefighters (POFF)**							
	California State University (CSU)	**State Employees excluding CSU**	**All State Misc.**	**State Industrial Members**	**Highway Patrol**	**CSU POFF**	**POFF excluding CSU**	**All State POFF**	**Other State Safety**	**Judges Ret. System**	**Legislative Retirement System**	**County Fair**	**Total**
ARC based on 6/30/15 valuation													
Normal Cost	$451,902	$1,120,891	$1,572,793	$104,963	$122,229	$6,467	$567,932	$574,399	$281,354	$16,854	$67	$5,411	$2,678,070
Amortization of UAAL	412,755	1,353,949	1,766,704	88,755	157,571	6,911	642,726	649,637	236,393	21,658	2,208	4,807	2,927,733
Total ARC	**$864,657**	**$2,474,840**	**$3,339,497**	**$193,718**	**$279,800**	**$13,378**	**$1,210,658**	**$1,224,036**	**$517,747**	**$38,512**	**$2,275**	**$10,218**	**$5,605,803**
ARC for YE 6/30/17													
Normal Cost	$465,459	$1,154,518	$1,619,977	$108,112	$125,896	$6,661	$584,970	$591,631	$289,795	$17,359	$69	$5,573	$2,758,412
Amortization of UAAL	425,138	1,394,567	1,819,705	91,418	162,298	7,118	662,008	669,126	243,485	22,308	2,274	4,951	3,015,565
Total ARC for YE 6/30/17 [a]	**$890,597**	**$2,549,085**	**$3,439,682**	**$199,530**	**$288,194**	**$13,779**	**$1,246,978**	**$1,260,757**	**$533,280**	**$39,667**	**$2,343**	**$10,524**	**$5,773,977**

[a] *For fiscal year-end June 30, 2017, the ARC will be based on the results of the actuarial valuation as of June 30, 2015, projected to the following year. That is, the ARC will increase by the wage inflation assumption of 3.00 percent.*

VALUATION RESULTS

Pre-Funding Scenarios

Other Postemployment Benefits
Sponsored by the
State of California

As of June 30, 2015

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

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

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

The full-funding policy produces a fiscal year 2016 Annual Required Contribution of $3.99 billion, cash contributions of $3.99 billion and an actuarial liability of $48.50 billion.

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

The partial funding policy produces a fiscal year 2016 Annual Required Contribution of $4.64 billion, cash contributions of $2.98 billion and an actuarial liability of $59.29 billion.

Some key observations of the fiscal year 2016 valuation results assuming the State pre-funds benefits include:

- If the State fully funds the program by contributing the Annual Required Contribution, State contributions increase by 103 percent from $1.97 billion to $3.99 billion. Under this scenario, the additional balance sheet liability is minimal, that is, the balance sheet liability is expected to increase from $22.48 billion at fiscal year-end 2015 to $22.85 billion at fiscal year-end 2016.
- If the State partially funds the program, contributions increase by 51 percent from $1.97 billion to $2.98 billion, and the Annual Required Contribution decreases by 17 percent from $5.62 billion to $4.64 billion. Under this scenario the balance sheet liability is $24.37 billion or roughly 7 percent less than the pay-as-you-go alternative.

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s)
FULL FUNDING POLICY (7.280%)

	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Number of Participants Covered													
Active Participants	43,740	133,559	177,299	11,327	7,227	400	40,704	41,104	26,515	1,690	8	558	265,728
Retired Participants	28,319	89,272	117,591	4,912	7,386	306	27,792	28,098	13,299	1,709	93	156	173,244
Total Participants	72,059	222,831	294,890	16,239	14,613	706	68,496	69,202	39,814	3,399	101	714	438,972
Actuarial Present Value of Proj. Benefits													
Active Participants	$4,823,744	$14,751,221	$19,574,965	$1,216,594	$1,473,805	$68,697	$6,491,054	$6,559,751	$2,873,625	$200,716	$805	$69,160	$31,969,421
Retired Participants	4,107,761	12,251,218	16,358,979	692,469	1,636,439	69,998	6,248,285	6,318,283	2,151,729	253,816	12,905	28,315	27,452,935
Total Participants	$8,931,505	$27,002,439	$35,933,944	$1,909,063	$3,110,244	$138,695	$12,739,339	$12,878,034	$5,025,354	$454,532	$13,710	$97,475	$59,422,356
Actuarial Accrued Liability													
Active Participants	$2,932,346	$10,366,001	$13,298,347	$759,000	$946,515	$40,692	$4,069,497	$4,110,189	$1,742,606	$139,058	$696	$49,192	$21,045,603
Retired Participants	4,107,761	12,251,218	16,358,979	692,469	1,636,439	69,998	6,248,285	6,318,283	2,151,729	253,816	12,905	28,315	27,452,935
Total Participants	$7,040,107	$22,617,219	$29,657,326	$1,451,469	$2,582,954	$110,690	$10,317,782	$10,428,472	$3,894,335	$392,874	$13,601	$77,507	$48,498,538
Actuarial Value of Assets	$0	$4,319	$4,319	$167	$78,469	$0	$6	$6	$3,129	$0	$0	$0	$86,090
Unfunded Actuarial Accrued Liability	$7,040,107	$22,612,900	$29,653,007	$1,451,302	$2,504,485	$110,690	$10,317,776	$10,428,466	$3,891,206	$392,874	$13,601	$77,507	$48,412,448
Annual Required Contribution of the Employer (ARC) for YE 6/30/16 [a]													
Normal Cost	$224,681	$525,423	$750,104	$50,864	$52,456	$3,104	$256,559	$259,663	$136,873	$6,629	$43	$2,530	$1,259,162
Amortization of UAAL	391,963	1,289,827	1,681,790	81,987	144,641	6,136	572,245	578,381	214,538	19,342	1,718	4,192	2,726,589
Total ARC for FYE 6/30/16	**$616,644**	**$1,815,250**	**$2,431,894**	**$132,851**	**$197,097**	**$9,240**	**$828,804**	**$838,044**	**$351,411**	**$25,971**	**$1,761**	**$6,722**	**$3,985,751**
Per Active Participant (not in '000s)	$14,098	$13,591	$13,716	$11,729	$27,272	$23,100	$20,362	$20,388	$13,253	$15,367	$220,125	$12,047	$14,999
Annual OPEB Cost (AOC) for YE 6/30/16													
ARC for FYE 6/30/16	$616,644	$1,815,250	$2,431,894	$132,851	$197,097	$9,240	$828,804	$838,044	$351,411	$25,971	$1,761	$6,722	$3,985,751
Interest on NOO at 6/30/15	216,559	678,892	895,451	65,191	83,255	3,959	421,767	425,726	155,959	6,925	557	3,716	1,636,780
Adjustment to the ARC	(168,294)	(527,586)	(695,880)	(50,662)	(64,700)	(3,077)	(327,767)	(330,844)	(121,200)	(5,382)	(1,028)	(2,888)	(1,272,584)
Total AOC for FYE 6/30/16	**$664,909**	**$1,966,556**	**$2,631,465**	**$147,380**	**$215,652**	**$10,122**	**$922,804**	**$932,926**	**$386,170**	**$27,514**	**$1,290**	**$7,550**	**$4,349,947**
Expected Net Employer Contribution for FYE 6/30/16	**$616,644**	**$1,815,250**	**$2,431,894**	**$132,851**	**$197,097**	**$9,240**	**$828,804**	**$838,044**	**$351,411**	**$25,971**	**$1,761**	**$6,722**	**$3,985,751**
Actual Net OPEB Obligation at 6/30/15	**$2,974,714**	**$9,325,438**	**$12,300,152**	**$895,481**	**$1,143,613**	**$54,380**	**$5,793,498**	**$5,847,878**	**$2,142,299**	**$95,130**	**$7,651**	**$51,047**	**$22,483,251**
Expected Net OPEB Obligation at 6/30/16	**$3,022,979**	**$9,476,744**	**$12,499,723**	**$910,010**	**$1,162,168**	**$55,262**	**$5,887,498**	**$5,942,760**	**$2,177,058**	**$96,673**	**$7,180**	**$51,875**	**$22,847,447**

[a] *Based on results of actuarial valuation as of June 30, 2014, projected to June 30, 2015, using a discount rate of 7.28 percent and a wage inflation assumption of 3.00 percent. For the Legislative Retirement System, the UAAL is amortized over a ten-year period as a level dollar amount.*

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s)
FULL FUNDING POLICY (7.280%)
DEVELOPMENT OF FYE 2017 ANNUAL REQUIRED CONTRIBUTION

	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
ARC based on 6/30/15 valuation													
Normal Cost	$224,186	$514,305	$738,491	$49,856	$51,789	$3,016	$257,686	$260,702	$138,689	$8,798	$34	$2,594	$1,250,953
Amortization of UAAL	398,293	1,279,322	1,677,615	82,107	141,691	6,262	583,727	589,989	220,145	22,227	1,829	4,385	2,739,988
Total ARC	**$622,479**	**$1,793,627**	**$2,416,106**	**$131,963**	**$193,480**	**$9,278**	**$841,413**	**$850,691**	**$358,834**	**$31,025**	**$1,863**	**$6,979**	**$3,990,941**
ARC for YE 6/30/17													
Normal Cost	$230,912	$529,734	$760,646	$51,352	$53,343	$3,106	$265,417	$268,523	$142,850	$9,062	$35	$2,672	$1,288,483
Amortization of UAAL	410,242	1,317,702	1,727,944	84,570	145,942	6,450	601,239	607,689	226,749	22,894	1,884	4,517	2,822,189
Total ARC for YE 6/30/17 [a]	**$641,154**	**$1,847,436**	**$2,488,590**	**$135,922**	**$199,285**	**$9,556**	**$866,656**	**$876,212**	**$369,599**	**$31,956**	**$1,919**	**$7,189**	**$4,110,672**

[a] *For fiscal year-end June 30, 2017, the ARC will be based on the results of the actuarial valuation as of June 30, 2015, projected to the following year. That is, the ARC will increase by the wage inflation assumption of 3.00 percent.*

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s)
PARTIAL FUNDING POLICY (5.765%)

	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Number of Participants Covered													
Active Participants	43,740	133,559	177,299	11,327	7,227	400	40,704	41,104	26,515	1,690	8	558	265,728
Retired Participants	28,319	89,272	117,591	4,912	7,386	306	27,792	28,098	13,299	1,709	93	156	173,244
Total Participants	72,059	222,831	294,890	16,239	14,613	706	68,496	69,202	39,814	3,399	101	714	438,972
Actuarial Present Value of Proj. Benefits													
Active Participants	$6,693,097	$20,415,987	$27,109,084	$1,710,868	$2,141,291	$98,382	$9,243,577	$9,341,959	$4,000,421	$261,779	$1,021	$93,909	$44,660,332
Retired Participants	4,767,304	14,268,538	19,035,842	812,050	1,943,202	84,041	7,497,959	7,582,000	2,539,675	290,488	14,834	33,688	32,251,779
Total Participants	$11,460,401	$34,684,525	$46,144,926	$2,522,918	$4,084,493	$182,423	$16,741,536	$16,923,959	$6,540,096	$552,267	$15,855	$127,597	$76,912,111
Actuarial Accrued Liability													
Active Participants	$3,721,940	$13,277,867	$16,999,807	$974,166	$1,255,049	$53,287	$5,289,378	$5,342,665	$2,234,150	$170,060	$863	$62,407	$27,039,167
Retired Participants	4,767,304	14,268,538	19,035,842	812,050	1,943,202	84,041	7,497,959	7,582,000	2,539,675	290,488	14,834	33,688	32,251,779
Total Participants	$8,489,244	$27,546,405	$36,035,649	$1,786,216	$3,198,251	$137,328	$12,787,337	$12,924,665	$4,773,825	$460,548	$15,697	$96,095	$59,290,946
Actuarial Value of Assets	$0	$4,319	$4,319	$167	$78,469	$0	$6	$6	$3,129	$0	$0	$0	$86,090
Unfunded Actuarial Accrued Liability	$8,489,244	$27,542,086	$36,031,330	$1,786,049	$3,119,782	$137,328	$12,787,331	$12,924,659	$4,770,696	$460,548	$15,697	$96,095	$59,204,856
Annual Required Contribution of the Employer (ARC) for YE 6/30/16 [a]													
Normal Cost	$315,073	$767,752	$1,082,825	$72,999	$79,844	$4,489	$376,550	$381,039	$192,800	$9,114	$59	$3,620	$1,822,300
Amortization of UAAL	399,001	1,325,543	1,724,544	85,147	151,666	6,422	598,824	605,246	221,830	18,994	1,864	4,390	2,813,681
Total ARC for FYE 6/30/16	**$714,074**	**$2,093,295**	**$2,807,369**	**$158,146**	**$231,510**	**$10,911**	**$975,374**	**$986,285**	**$414,630**	**$28,108**	**$1,923**	**$8,010**	**$4,635,981**
Per Active Participant (not in '000s)	$16,325	$15,673	$15,834	$13,962	$32,034	$27,278	$23,963	$23,995	$15,638	$16,632	$240,375	$14,355	$17,446
Annual OPEB Cost (AOC) for YE 6/30/16													
ARC for FYE 6/30/16	$714,074	$2,093,295	$2,807,369	$158,146	$231,510	$10,911	$975,374	$986,285	$414,630	$28,108	$1,923	$8,010	$4,635,981
Interest on NOO at 6/30/15	171,492	537,612	709,104	51,624	65,929	3,135	333,995	337,130	123,504	5,484	441	2,942	1,296,158
Adjustment to the ARC	(141,836)	(444,642)	(586,478)	(42,697)	(54,528)	(2,593)	(276,237)	(278,830)	(102,146)	(4,536)	(972)	(2,434)	(1,072,621)
Total AOC for FYE 6/30/16	**$743,730**	**$2,186,265**	**$2,929,995**	**$167,073**	**$242,911**	**$11,453**	**$1,033,132**	**$1,044,585**	**$435,988**	**$29,056**	**$1,392**	**$8,518**	**$4,859,518**
Expected Net Employer Contribution for FYE 6/30/16	**$463,323**	**$1,374,721**	**$1,838,044**	**$91,784**	**$150,187**	**$6,761**	**$608,836**	**$615,597**	**$251,024**	**$23,519**	**$1,422**	**$4,354**	**$2,975,931**
Actual Net OPEB Obligation at 6/30/15	**$2,974,714**	**$9,325,438**	**$12,300,152**	**$895,481**	**$1,143,613**	**$54,380**	**$5,793,498**	**$5,847,878**	**$2,142,299**	**$95,130**	**$7,651**	**$51,047**	**$22,483,251**
Expected Net OPEB Obligation at 6/30/16	**$3,255,121**	**$10,136,982**	**$13,392,103**	**$970,770**	**$1,236,337**	**$59,072**	**$6,217,794**	**$6,276,866**	**$2,327,263**	**$100,667**	**$7,621**	**$55,211**	**$24,366,838**

[a] Based on results of actuarial valuation as of June 30, 2014, projected to June 30, 2015, using a discount rate of 5.765 percent and a wage inflation assumption of 3.00 percent. For the Legislative Retirement System, the UAAL is amortized over a ten-year period as a level dollar amount.

CALIFORNIA STATE EMPLOYEES
OPEB ACTUARIAL VALUATION RESULTS AS OF JUNE 30, 2015 ($ in '000s)
PARTIAL FUNDING POLICY (5.765%)
DEVELOPMENT OF FYE 2017 ANNUAL REQUIRED CONTRIBUTION

	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	**State Employees excluding CSU**	**All State Misc.**	**State Industrial Members**	**Highway Patrol**	**CSU POFF**	**POFF excluding CSU**	**All State POFF**	**Other State Safety**	**Judges Ret. System**	**Legislative Retirement System**	**County Fair**	**Total**
ARC based on 6/30/15 valuation													
Normal Cost	$314,669	$751,131	$1,065,800	$71,542	$78,652	$4,356	$377,678	$382,034	$194,981	$12,086	$47	$3,706	$1,808,848
Amortization of UAAL	404,772	1,313,221	1,717,993	85,160	148,753	6,548	609,707	616,255	227,469	21,959	1,994	4,582	2,824,165
Total ARC	**$719,441**	**$2,064,352**	**$2,783,793**	**$156,702**	**$227,405**	**$10,904**	**$987,385**	**$998,289**	**$422,450**	**$34,045**	**$2,041**	**$8,288**	**$4,633,013**
ARC for YE 6/30/17													
Normal Cost	$324,109	$773,665	$1,097,774	$73,688	$81,012	$4,487	$389,008	$393,495	$200,830	$12,448	$48	$3,817	$1,863,112
Amortization of UAAL	416,915	1,352,618	1,769,533	87,715	153,216	6,744	627,998	634,742	234,293	22,618	2,054	4,719	2,908,890
Total ARC for YE 6/30/17 [a]	**$741,024**	**$2,126,283**	**$2,867,307**	**$161,403**	**$234,228**	**$11,231**	**$1,017,006**	**$1,028,237**	**$435,123**	**$35,066**	**$2,102**	**$8,536**	**$4,772,002**

[a] *For fiscal year-end June 30, 2017, the ARC will be based on the results of the actuarial valuation as of June 30, 2015, projected to the following year. That is, the ARC will increase by the wage inflation assumption of 3.00 percent.*

VALUATION RESULTS

Accounting Information

Other Postemployment Benefits Sponsored by the State of California

As of June 30, 2015

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

Annual Required Contribution (ARC)

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

GASB No. 45 sets the method for determining the State's annual postemployment benefits accrual, the Annual Required Contribution (ARC), to include both the value of benefits earned during the year (Normal Cost) and an amortization of the Unfunded Actuarial Accrued Liability. Accordingly, the following table shows the State's fiscal year-end 2011 through 2016 Annual Required Contribution (ARC) based on a 30-year open amortization of the Unfunded Actuarial Accrued Liability as a level percent of pay.

Pay-As-You-Go Funding ($ in billions)			
Fiscal Year Ending June 30	Normal Cost (a)	Unfunded Actuarial Accrued Liability Amortization (b)	Annual Required Contribution (ARC) (a) + (b)
2011	$2.06	$2.11	$4.17
2012	$2.25	$2.44	$4.69
2013	$2.38	$2.53	$4.92
2014	$2.43	$2.60	$5.03
2015	$2.45	$2.63	$5.08
2016	$2.70	$2.92	$5.62

Annual OPEB Cost (AOC)

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

Pay-As-You-Go Funding ($ in billions)				
Fiscal Year Ending June 30	**Annual Required Contribution (ARC) (a)**	**Interest on Net OPEB Obligation (b)**	**Adjustment to Annual Required Contribution (c)**	**Total Annual OPEB Cost (AOC) (a) + (b) + (c)**
2011	$4.17	$0.33	-$0.29	$4.21
2012	$4.69	$0.44	-$0.39	$4.74
2013	$4.92	$0.58	-$0.51	$4.99
2014	$5.03	$0.73	-$0.64	$5.12
2015	$5.08	$0.82	-$0.77	$5.13
2016	$5.62	$0.96	-$0.89	$5.69

Annual OPEB Cost Summary

Pay-As-You-Go Funding ($ in billions)				
Fiscal Year Ending June 30	**Annual OPEB Cost**	**Net Employer Contribution**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
2011	$4.21	$1.58	38%	$9.88
2012	$4.74	$1.72	36%	$12.91
2013	$4.99	$1.78	36%	$16.12
2014	$5.12	$1.87	37%	$19.36
2015	$5.13	$2.01	39%	$22.48
2016[1]	$5.69	$1.97	35%	$26.20

[1]*Net employer contribution and Net OPEB Obligation estimated for fiscal year-ending June 30, 2016.*

Projected Net OPEB Obligation (NOO):

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

Pay-As-You-Go Funding ($ in billions)				
Fiscal Year Ending June 30	Net OPEB Obligation (NOO) Beginning of Year (a)	Total Annual OPEB Cost (AOC) (b)	Net Employer Contribution (c)	Net OPEB Obligation (NOO) End of Year[1] (a) + (b) - (c)
2011	$7.25	$4.21	$1.58	$9.88
2012	$9.88	$4.74	$1.72	$12.91
2013	$12.91	$4.99	$1.78	$16.12
2014	$16.12	$5.12	$1.87	$19.36
2015	$19.36	$5.13	$2.01	$22.48
2016[1]	$22.48	$5.69	$1.97	$26.20

[1]*Net employer contribution and Net OPEB Obligation estimated for fiscal year-ending June 30, 2016.*

Required Supplementary Information

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

Pay-As-You-Go Funding ($ in billions)						
Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a) / (b)	Payroll	UAAL as a % of Payroll
June 30, 2010	$0.00	$59.91	$59.91	0.00%	$17.54	341%
June 30, 2011	$0.00	$62.14	$62.14	0.00%	$18.01	345%
June 30, 2012	$0.01	$63.85	$63.84	0.01%	$18.71	341%
June 30, 2013	$0.01	$64.58	$64.57	0.01%	$18.06	358%
June 30, 2014	$0.04	$71.81	$71.77	0.06%	$19.25	373%
June 30, 2015	$0.09	$74.19	$74.10	0.12%	$20.18	367%

SECTION C

SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS

SUMMARY OF THE CURRENT SUBSTANTIVE PLAN PROVISIONS

Other Postemployment Benefits
Sponsored by the
State of California

As of January 1, 2015

Eligibility Requirements

Health Care Coverage

Retired Employees

A member is eligible to enroll in a CalPERS health plan if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement or enroll during any Open Enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employer will notify CalPERS and the member's coverage will continue into retirement.

Survivors of an Annuitant

If a CalPERS annuitant satisfied the requirement to retire within 120 days of separation, the survivor may be eligible to enroll within 60 days of the annuitant's death or during any future Open Enrollment period. *Note: A survivor cannot add any new dependents; only dependents that were enrolled or eligible to enroll at the time of the member's death qualify for benefits.*

Surviving registered domestic partners who are receiving a monthly annuity as a surviving beneficiary of a deceased employee or annuitant on or after January 1, 2002, are eligible to continue coverage if currently enrolled, enroll within 60 days of the domestic partner's death, or enroll during any future Open Enrollment period.

Eligibility Exceptions

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

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

Death of a Member

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

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

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

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

Coordination with Medicare

CalPERS retired members who qualify for premium-free Part A, either on their own or through a spouse (current, former or deceased), must sign up for Part B as soon as they qualify for Part A. A member must then enroll in a CalPERS sponsored Medicare plan. The CalPERS-sponsored Medicare plan will pay for costs not paid by Medicare, by coordinating benefits.

Dental Benefits

Retired Employees

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

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

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

Survivors of an Employee or Annuitant

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

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

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

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

2015 State Contribution

The 2015 maximum State Contribution amounts are as follows:

2015 State Contribution		
One-Party Coverage	Two-Party Coverage	Family Coverage
$655.00	$1,246.00	$1,605.00

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.

EPO and HMO Basic Plans

Kaiser Permanente, Blue Shield Access+ HMO, Blue Shield EPO, Blue Shield NetValue HMO, Anthem Blue Cross, Health Net, Sharp Performance Plus, and UnitedHealthcare Alliance HMO

	Copay and/or Benefit Limit
Hospital	
Inpatient	No Charge
Outpatient	
Kaiser Permanente	$15/Visit
Other HMO Plans	No Charge
Physician Services	
Office Visits	$15/visit
More than one copay may apply during an office visit if multiple services are provided.	
Outpatient Visits	
Kaiser Permanente	$15 outpatient surgery
Other HMO Plans	$15/visit
Urgent Care Visits	$15/visit
Allergy Testing/Treatment	
Kaiser Permanente	No Charge for Injections $15/Visit (Testing Visits)
Other HMO Plans	No Charge
Vision Exam (Refraction)	
Kaiser Permanente	No Charge
Other HMO Plans	No Charge
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	No Charge
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	
Kaiser Permanente	No Charge for Inpatient, $15 for Outpatient
Other HMO Plans	No Charge
Ambulance Service	
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	
Other HMO Plans	$5/Generic
Retail Pharmacy	$20/Formulary Brand Name
(up to 30-day supply)	$50/Non-Formulary
	($40 if medical necessity approved)
Mail Order Program	$10/generic
(up to 90-day supply)	$40/formulary brand name
$1,000 maximum copayment per person per calendar year.	$100/non-formulary
	($70 if medical necessity approved)
Maximum Calendar Year Deductible	$1,000
Kaiser Permanente	
Up to 30-day supply	$5/generic / $20/brand name
31-100-day supply	$10/generic / $40/brand name

PERS Select, PERS Choice, & PERSCare PPO Basic Plans

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

EPO and HMO Medicare Plans

Kaiser Permanente, Blue Shield Access+ HMO, Blue Shield EPO, Blue Shield NetValue HMO, Anthem Blue Cross, Health Net, Sharp Performance, and UnitedHealthcare

	Medicare Managed Care Plan (Medicare Advantage)	**Supplement to Original Medicare Plans**
	Kaiser Permanente	Other HMO Plans
	Copay and/or Benefit Limit	**Copay and/or Benefit Limit**
Hospital		
Inpatient	No Charge	No Charge
Outpatient	$10/visit	No Charge
Physician Services		
Office Visits	$10/visit	$10/visit
Urgent Care Visits	$25/visit	$25/visit
Allergy Testing/Treatment	$3/visit (injection visits) $10/visit (testing visits)	$10/visit (injection visits) $10/visit (testing visits)
Vision Exam (Refraction)	$10/visit	$10 (limited to one visit)
Hearing Exam/Screening	$10/visit	$10/visit (HealthNet, United Healthcare) No Charge for other HMO plans
Inpatient Hospital Visits	No Charge	No Charge
Surgery/Anesthesia	No Charge for Inpatient $10/visit for Outpatient	No Charge
Ambulance Service		
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 $20/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.*	$5/generic *(Anthem Blue Cross $0 select generics)* $20/formulary brand name $50/non-formulary *($40 if medical necessity approved)*
Mail Order Program *$1,000 maximum copayment per person per calendar year (up to 90-day supply)* *(Does not apply to Kaiser)*	$10/generic $40/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.*	$10/generic $40/formulary brand name $100/non-formulary *($70 if medical necessity approved)*

PERS Select, PERS Choice, & PERSCare Supplement Plans

PPO Supplement to Original Medicare Plans

	PERS Select		**PERS Choice**		**PERSCare**
	PPO		**PPO**		**PPO**
Calendar Year Deductible	None Plan pays Medicare Parts A and B deductible		None Plan pays Medicare Parts A and B deductible		None Plan pays Medicare Parts A and B deductible
Lifetime Maximum Benefit - Per Individual	None		None		None
Hospital					
Inpatient and Outpatient	No Charge		No Charge		No Charge
Physician Services					
Physician Office Visits	No Charge		No Charge		No Charge
Inpatient Visits	No Charge		No Charge		No Charge
Outpatient Visits	No Charge		No Charge		No Charge
Urgent Care Visits	No Charge		No Charge		No Charge
Allergy Testing/Treatment	No Charge		No Charge		No Charge
Ambulance Service	No Charge		No Charge		No Charge
Emergency Services	No Charge		No Charge		No Charge
Prescription Drug Benefit	**Generic**	**Preferred Brand**	**Generic**	**Preferred Brand**	**Non-Preferred Brand**
Applies to PERS Select, PERS Choice, and PERSCare					
Retail Pharmacy* **short-term use*	$5	$20	$5	$20	$50 *($40 if partial waiver of Non-Preferred Brand copayment approved)*
Retail Pharmacy Maintenance Medications filled after 2nd Fill** *** A maintenance medication taken longer than 60 days for chronic conditions.*	$10	$40	$10	$40	$100 *($70 if partial waiver of Non-Preferred Brand copayment approved)*
Mail Service Pharmacy *A $1,000 maximum copayment per person per calendar year applies*	$10	$40	$10	$40	$100 *($70 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
Outpatient Facility/Surgery Services	$50/visit
Physician Services	
Office Visits	$15/visit
Outpatient Visits	$15/visit
Urgent Care Visits	$15/visit
Allergy Testing/Treatment	No Charge
Vision Exam (Refraction)	$15
Hearing Exam/Screening	$15
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	No Charge
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	$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**	
	Copay and/or Benefit Limit
Hospital	
Inpatient	$100 per admission
Outpatient Surgery	No Charge
Physician Services	
Office Visits	$10/visit
Outpatient Visits	$10/visit
Urgent Care Visits	$10/visit
Allergy Testing/Treatment	No Charge
Vision Exam (Refraction)	$10/visit
Hearing Exam/Screening	No Charge
Inpatient Hospital Visits	No Charge
Surgery/Anesthesia	No Charge
Ambulance Service	No Charge
Emergency Services	No Charge
Prescription Drug Benefit	
Retail Pharmacy	$5/generic $20/formulary brand name $35/non-formulary
Mail Order Program *(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	$3,300/individual or $6,600/family (Combined PPO and non-PPO)	
Lifetime Maximum	None	None	None	None
Hospital				
Inpatient	10%	Varies. See EOC	10%	10% (varies)
Outpatient	$50 (exceptions may apply)	$50 (exceptions may apply)	10%	10% (varies)
Physician Services				
Office Visits	$15	40%	$20	10%
Outpatient Visits	10%	40%	10%	10%
Urgent Care Visits	$15	40%	10%	10%
Allergy Testing/Treatment	10%	40%	10%	10%
Vision Exam (Refraction)	Not Covered	Not Covered	Not Covered	Not Covered
Hearing Exam/Screening	10%	40%	20%	20%
Inpatient Hospital Visits	10%	40%	10%	10% *(varies)*
Surgery/Anesthesia	10%	40%	10%	10% *(varies)*
Ambulance Service	20%	20%	20%	20%
Emergency Services				
Emergency	$50* + 10%	$50* + 10%	10%	10%
Non-Emergency	$50* + 10%	$50* + 40%	50%	50%
** 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	$10/generic $25/ formulary brand name $45/non-formulary brand
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
Outpatient Visits	No Charge	No Charge
Urgent Care Visits	No Charge	No Charge
Allergy Testing/Treatment	No Charge	No Charge
Vision Exam (Refraction)	Not Covered	20%; one exam/ calendar year
Hearing Exam/Screening	No Charge	20%; $50/exam in connection with hearing aid purchase
Inpatient Hospital Visits	No Charge	No Charge
Surgery/Anesthesia	No Charge	No Charge
Ambulance Service	No Charge if Medicare approved 20% if not Medicare approved	No Charge
Emergency Services	No Charge if Medicare approved 20% if not Medicare approved	No Charge
Prescription Drug Benefit		
Retail Pharmacy *(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	$10/generic $25/formulary brand name $45/non-formulary brand name
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	
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	Preferred Provider Plan provides maximum benefit when enrollee visits in PPO network dentist	Plan pays enrollee's chosen dentist a monthly fixed rate to provide services as needed
Dental Providers	Any licensed dentist. However, out-of-pocket expenses may be lower when visiting a Delta Dental PPO dentist	Any licensed dentist, but maximum benefits when visiting a PPO network dentist. If an out-of-PPO network dentist is used, benefits are lower	Must select a dental provider affiliated with the enrollee's prepaid plan
Orthodontic Providers	May visit any orthodontist. However, out-of-pocket expenses may be lower when visiting a Delta Dental PPO dentist	Must visit an in-PPO network orthodontist to receive maximum benefit	Must use orthodontist affiliated with the enrollee's prepaid plan
Changing Providers	May change dentists at any time	May change at any time without pre-approval	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 in-PPO network dentists $75 per person up to $200 annual maximum per family for out-of-PPO network dentists.	No deductible
Co-payments	Pay the difference between billed charges and plan payments	Pay the difference between billed charges and plan payments	Generally no charge, with minimal co-payments for certain covered procedures
Plan Payments	Delta dentist: payment based on fees filed with Delta; non-Delta dentist: payment not to exceed Delta's set fee schedule	Plan dentist: payment based on fee agreement with Delta; non-Plan dentist: payment not to exceed Delta's set fee schedule	For procedures with co-payment, may require payment at time of treatment
Maximum Benefits per Calendar Year	Basic: $2,000 for employee/ retiree, $1,000 per dependent; Enhanced: $2,000 for employee and each eligible dependent	$2,000 per employee, $2,000 per eligible dependent	No maximum
Maximum Lifetime Implant Benefit	Not a covered benefit	$2,500 for each employee/ retiree and dependent, if using a Plan provider	Not a covered benefit

California State University Sponsored Dental Plan		
BENEFITS	**Delta Dental Basic**	**DeltaCare Basic**
Diagnostic and preventive benefits	75%, no deductible	No Cost
Basic benefits	75%, deductible applies	No Cost
Crowns, inlays, inlays and cast restoration benefits	50%, deductible applies	$35 - $50 per unit; plus additional cost for precious metals and porcelain on molars
Prosthodontic Benefits	50%, deductible applies	Full – $60 each; Partials – $70 each
Orthodontic benefits	50%, maximum lifetime of $1,000	$1,400 plus $350 start-up costs, Covers up to 24 months of active treatment
Annual Deductibles	$50 Per Person/$150 Per Family	No Deductible
Annual Maximum	$1,500 Per Person	No Maximum

2015 Health Plan Rates			
Basic Plans - HMO			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
Anthem Select HMO	$639.45	$1,278.90	$1,662.57
Anthem Traditional HMO	$727.34	$1,454.68	$1,891.08
Blue Shield	$718.16	$1,436.32	$1,867.22
Blue Shield NetValue	$670.36	$1,340.72	$1,742.94
Health Net Salud y Más	$535.97	$1,071.94	$1,393.52
Health Net SmartCare	$671.47	$1,342.94	$1,745.82
Kaiser	$633.04	$1,266.08	$1,645.90
Kaiser Out-of-State - Colorado	$922.78	$1,845.56	$2,399.23
Kaiser Out-of-State - Georgia	$922.78	$1,845.56	$2,399.23
Kaiser Out-of-State - Hawaii	$922.78	$1,845.56	$2,399.23
Kaiser Out-of-State - Mid-Atlantic	$922.78	$1,845.56	$2,399.23
Kaiser Out-of-State - Northwest	$922.78	$1,845.56	$2,399.23
Kaiser Out-of-State - Ohio	$922.78	$1,845.56	$2,399.23
Sharp	$586.38	$1,172.76	$1,524.59
UnitedHealthcare	$642.40	$1,284.80	$1,670.24
Basic Plans - PPO			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
Anthem EPO	$640.45	$1,280.90	$1,665.17
Anthem EPO Monterey	$640.45	$1,280.90	$1,665.17
PERS Choice	$640.45	$1,280.90	$1,665.17
PERS Select	$618.22	$1,236.44	$1,607.37
PERSCare	$718.93	$1,437.86	$1,869.22
Basic Association Plans			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
CAHP	$620.79	$1,205.17	$1,576.26
CCPOA - North	$681.33	$1,365.26	$1,843.13
CCPOA - South	$561.88	$1,126.30	$1,521.82
PORAC	$675.00	$1,292.00	$1,642.00

2015 Health Plan Rates

Supplement/Managed Medicare Plans - HMO

Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Anthem Blue Cross	$445.38	$890.76	$1,336.14
Blue Shield	$352.63	$705.26	$1,057.89
Blue Shield NetValue	$352.63	$705.26	$1,057.89
Health Net	$276.85	$553.70	$830.55
Kaiser	$295.51	$591.02	$886.53
Kaiser Out-of-State - Colorado	$390.47	$780.94	$1,171.41
Kaiser Out-of-State - Georgia	$390.47	$780.94	$1,171.41
Kaiser Out-of-State - Hawaii	$390.47	$780.94	$1,171.41
Kaiser Out-of-State - Mid-Atlantic	$390.47	$780.94	$1,171.41
Kaiser Out-of-State - Northwest	$390.47	$780.94	$1,171.41
Kaiser Out-of-State - Ohio	$390.47	$780.94	$1,171.41
Sharp	$327.66	$655.32	$982.98
UnitedHealthcare	$267.41	$534.82	$802.23

Supplement/Managed Medicare Plans - PPO

Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
Anthem EPO Del Norte	$339.47	$678.94	$1,018.41
Anthem EPO Monterey	$445.38	$890.76	$1,336.14
PERS Choice	$339.47	$678.94	$1,018.41
PERS Select	$339.47	$678.94	$1,018.41
PERSCare	$368.76	$737.52	$1,106.28

Supplement/Managed Medicare Association Plans

Plan	Employee Only	Employee & 1 Dep.	Employee & 2+ Dep.
CAHP	$372.00	$688.00	$874.00
CCPOA - North	$447.79	$897.61	$1,342.41
CCPOA - South	$447.79	$897.61	$1,342.41
PORAC	$402.00	$802.00	$1,281.00

2015 Health Plan Rates

Combination Plans (Employee in Basic Plan) - HMO

Plan	1 Dep. In Supplement/ Managed Medicare	2+ Dep. In Supplement/ Managed Medicare	1 Dep. In Basic 1+ Dep. In Supplement/ Managed Medicare
Anthem Select	$1,084.83	$1,530.21	$1,468.50
Anthem Traditional	$1,172.72	$1,618.10	$1,609.12
Blue Shield	$1,070.79	$1,423.42	$1,501.69
Blue Shield NetValue	$1,022.99	$1,375.62	$1,425.21
Health Net Salud y Más	$812.82	$1,089.67	$1,134.40
Health Net SmartCare	$948.32	$1,225.17	$1,351.20
Kaiser	$928.55	$1,224.06	$1,308.37
Kaiser Out-of-State - Colorado	$1,313.25	$1,703.72	$1,866.92
Kaiser Out-of-State - Georgia	$1,313.25	$1,703.72	$1,866.92
Kaiser Out-of-State - Hawaii	$1,313.25	$1,703.72	$1,866.92
Kaiser Out-of-State - Mid-Atlantic	$1,313.25	$1,703.72	$1,866.92
Kaiser Out-of-State - Northwest	$1,313.25	$1,703.72	$1,866.92
Kaiser Out-of-State - Ohio	$1,313.25	$1,703.72	$1,866.92
Sharp	$914.04	$1,241.70	$1,265.87
UnitedHealthcare	$909.81	$1,177.22	$1,295.25

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
Anthem EPO Del Norte	$979.92	$1,319.39	$1,364.19
Anthem EPO Monterey	$1,085.83	$1,531.21	$1,470.10
PERS Choice	$979.92	$1,319.39	$1,364.19
PERS Select	$957.69	$1,297.16	$1,328.62
PERSCare	$1,087.69	$1,456.45	$1,519.05

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	$936.79	$1,122.79	$1,307.88
CCPOA - North	$1,131.15	$1,575.95	$1,609.02
CCPOA - South	$1,011.70	$1,456.50	$1,407.22
PORAC	$1,075.00	$1,554.00	$1,425.00

2015 Health Plan Rates			
Combination Plans (Employee in Supplement/Managed Medicare Plan) - HMO			
Plan	**1 Dep. In Basic**	**2+ Dep. In Basic**	**1 Dep. In Supplement/ Managed Medicare 1+ Dep. In Basic**
Anthem Select	$1,084.83	$1,468.50	$1,274.43
Anthem Traditional	$1,172.72	$1,609.12	$1,327.16
Blue Shield	$1,070.79	$1,501.69	$1,136.16
Blue Shield NetValue	$1,022.99	$1,425.21	$1,107.48
Health Net Salud y Más	$812.82	$1,134.40	$875.28
Health Net SmartCare	$948.32	$1,351.20	$956.58
Kaiser	$928.55	$1,308.37	$970.84
Kaiser Out-of-State - Colorado	$1,313.25	$1,866.92	$1,334.61
Kaiser Out-of-State - Georgia	$1,313.25	$1,866.92	$1,334.61
Kaiser Out-of-State - Hawaii	$1,313.25	$1,866.92	$1,334.61
Kaiser Out-of-State - Mid-Atlantic	$1,313.25	$1,866.92	$1,334.61
Kaiser Out-of-State - Northwest	$1,313.25	$1,866.92	$1,334.61
Kaiser Out-of-State - Ohio	$1,313.25	$1,866.92	$1,334.61
Sharp	$914.04	$1,265.87	$1,007.15
UnitedHealthcare	$909.81	$1,295.25	$920.26
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**
Anthem EPO Del Norte	$979.92	$1,364.19	$1,063.21
Anthem EPO Monterey	$1,085.83	$1,470.10	$1,275.03
PERS Choice	$979.92	$1,364.19	$1,063.21
PERS Select	$957.69	$1,328.62	$1,049.87
PERSCare	$1,087.69	$1,519.05	$1,168.88
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	$956.38	$1,327.47	$1,059.09
CCPOA - North	$1,131.72	$1,609.59	$1,375.48
CCPOA - South	$1,012.21	$1,407.73	$1,293.13
PORAC	$1,019.00	$1,369.00	$1,152.00

2015 Dental Plan Rates - State Sponsored Plans			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
DeltaPremier[1]	$48.85	$85.29	$123.28
Delta PPO[2]	$44.64	$86.78	$130.58
Safeguard SOC Enhanced Plan[3]	$16.92	$28.63	$35.27
Delta Care USA[3]	$17.99	$29.52	$40.83
Premier Access[3]	$16.63	$26.94	$37.73
Western Dental[3]	$15.16	$25.02	$35.49

[1] *Employee Share: 1 party - $21.21 / 2 party - $21.32 / 3 or more party - $30.83*

[2] *Employee Share: 1 party - $11.16 / 2 party - $21.69 / 3 or more party - $32.64*

[3] *Provided at no cost to the retiree*

2015 Dental Plan Rates - California State University[4]			
Plan	**Employee Only**	**Employee & 1 Dep.**	**Employee & 2+ Dep.**
Delta Dental PPO - Basic	$30.95	$58.47	$117.41
DeltaCare USA - Basic	$20.31	$33.50	$49.54

[4] *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 June 30, 2015

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

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

B. Members Currently in Active Status
    1. Distribution of All Active Members by Age and Service

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

California State Employees													
Counts of Current Retirees by Medical/Rx Benefit Plan and Valuation Group													
	State Miscellaneous					**State Police Officers and Firefighters (POFF)**							
	California State University (CSU)	**State Employees excluding CSU**	**All State Misc.**	**State Industrial Members**	**Highway Patrol**	**CSU POFF**	**POFF excluding CSU**	**All State POFF**	**Other State Safety**	**Judges Ret. System**	**Legislative Retirement System**	**County Fair**	**Total**
Anthem Blue Cross	69	284	353	26	5	2	154	156	64	1	-	-	605
Blue Shield	3,829	13,427	17,256	725	130	53	3,450	3,503	2,071	86	4	38	23,813
Blue Shield NetValue	745	5,348	6,093	360	46	19	1,601	1,620	784	12	1	18	8,934
Health Net	9	37	46	2	-	-	5	5	4	-	-	-	57
Kaiser	8,070	35,391	43,461	1,725	865	69	7,659	7,728	3,988	180	16	44	58,007
Kaiser Out-of-State	223	533	756	19	19	1	130	131	93	3	-	1	1,022
Sharp	66	95	161	5	2	-	45	45	12	-	-	-	225
UnitedHealthcare	35	247	282	13	3	-	50	50	21	-	-	1	370
PERS Choice	8,310	17,529	25,839	1,176	1,128	93	9,238	9,331	4,147	476	27	44	42,168
PERS Select	118	353	471	41	2	5	272	277	112	1	-	2	906
PERSCare	6,844	16,009	22,853	804	336	22	2,243	2,265	1,987	950	45	8	29,248
CAHP	-	6	6	1	4,849	-	2	2	1	-	-	-	4,859
CCPOA	-	2	2	13	-	-	2,794	2,794	14	-	-	-	2,823
PORAC	1	11	12	2	1	42	149	191	1	-	-	-	207
Total	**28,319**	**89,272**	**117,591**	**4,912**	**7,386**	**306**	**27,792**	**28,098**	**13,299**	**1,709**	**93**	**156**	**173,244**

California State Employees								
Counts of Current Retirees by Medical/Rx Benefit Plan and Coverage								
	One Party		**Two Party**		**Family**		**Total**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Anthem Blue Cross	60	135	136	125	101	48	297	308
Blue Shield	3,664	8,007	5,898	3,765	1,697	782	11,259	12,554
Blue Shield NetValue	1,167	2,386	1,978	1,688	1,134	581	4,279	4,655
Health Net	3	18	14	11	7	4	24	33
Kaiser	9,524	21,145	13,324	8,791	3,401	1,822	26,249	31,758
Kaiser Out-of-State	167	430	258	135	22	10	447	575
Sharp	25	41	61	50	36	12	122	103
UnitedHealthcare	42	109	78	65	55	21	175	195
PERS Choice	6,718	12,077	13,249	5,964	3,099	1,061	23,066	19,102
PERS Select	110	170	270	139	164	53	544	362
PERSCare	5,179	14,689	6,148	2,803	308	121	11,635	17,613
CAHP	585	764	2,431	100	875	104	3,891	968
CCPOA	355	354	908	208	855	143	2,118	705
PORAC	18	21	99	13	46	10	163	44
Total	**27,617**	**60,346**	**44,852**	**23,857**	**11,800**	**4,772**	**84,269**	**88,975**

California State Employees			
Distribution of Current Retirees by Medical/Rx Benefit Plan			
	Under 65	**At Least 65**	**Total**
Anthem Blue Cross	498	107	605
Blue Shield	8,465	15,348	23,813
Blue Shield NetValue	6,211	2,723	8,934
Health Net	41	16	57
Kaiser	19,222	38,785	58,007
Kaiser Out-of-State	159	863	1,022
Sharp	171	54	225
UnitedHealthcare	247	123	370
PERS Choice	15,042	27,126	42,168
PERS Select	615	291	906
PERSCare	2,073	27,175	29,248
CAHP	2,003	2,856	4,859
CCPOA	2,253	570	2,823
PORAC	110	97	207
Total	**57,110**	**116,134**	**173,244**

Distribution of Current Retirees by Coverage Type			
	Under 65	**At Least 65**	**Total**
One Party	22,732	65,231	87,963
Two Party	21,509	47,200	68,709
Family	12,869	3,703	16,572
Total	**57,110**	**116,134**	**173,244**

California State Employees			
Distribution of Retiree Medical/Rx Benefit by Age			
Attained Age	**Male**	**Female**	**Total**
Under 40	317	266	583
40-44	449	341	790
45-49	700	803	1,503
50-54	4,310	2,998	7,308
55-59	8,388	8,976	17,364
60-64	13,621	15,941	29,562
65-69	18,445	18,031	36,476
70-74	14,235	13,319	27,554
75-79	10,143	9,827	19,970
80-84	7,087	7,615	14,702
85-89	4,407	6,048	10,455
90 & Over	2,167	4,810	6,977
Totals	**84,269**	**88,975**	**173,244**

California State Employees													
Counts of Current Retirees by Dental Benefit Plan and Valuation Group													
	State Miscellaneous					State Police Officers and Firefighters (POFF)							
	California State University (CSU)	State Employees excluding CSU	All State Misc.	State Industrial Members	Highway Patrol	CSU POFF	POFF excluding CSU	All State POFF	Other State Safety	Judges Ret. System	Legislative Retirement System	County Fair	Total
Delta Dental PPO	-	12,032	12,032	686	633	-	3,817	3,817	1,802	82	6	14	19,072
Delta Dental	26,906	72,554	99,460	4,026	3,572	276	22,591	22,867	10,452	1,631	86	125	142,219
Safeguard	-	2,576	2,576	113	125	-	612	612	502	6	1	-	3,935
DeltaCare USA	1,634	3,207	4,841	150	45	27	355	382	394	-	-	4	5,816
CAHP/Blue Cross	-	4	4	-	2,884	-	-	-	1	-	-	-	2,889
Premier Access	-	48	48	7	3	-	23	23	13	-	-	-	94
Western Dental	-	95	95	4	2	-	130	130	23	-	-	-	254
Total	**28,540**	**90,516**	**119,056**	**4,986**	**7,264**	**303**	**27,528**	**27,831**	**13,187**	**1,719**	**93**	**143**	**174,279**

California State Employees								
Counts of Current Retirees by Dental Benefit Plan and Coverage								
	One Party		**Two Party**		**Family**		**Total**	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**
Delta Dental PPO	2,580	6,107	5,395	2,796	1,561	633	9,536	9,536
Delta Dental	22,067	48,447	37,474	21,715	8,742	3,774	68,283	73,936
Safeguard	708	1,626	920	449	172	60	1,800	2,135
DeltaCare USA	1,025	2,430	1,201	789	218	153	2,444	3,372
CAHP/Blue Cross	311	222	1,578	77	626	75	2,515	374
Premier Access	12	27	28	10	10	7	50	44
Western Dental	38	58	54	39	46	19	138	116
Total	**26,741**	**58,917**	**46,650**	**25,875**	**11,375**	**4,721**	**84,766**	**89,513**

California State Employees			
Distribution of Current Retirees by Dental Benefit Plan			
	Under 65	**At Least 65**	**Total**
Delta Dental PPO	6,418	12,654	19,072
Delta Dental	44,809	97,410	142,219
Safeguard	913	3,022	3,935
DeltaCare USA	1,554	4,262	5,816
CAHP/Blue Cross	1,467	1,422	2,889
Premier Access	71	23	94
Western Dental	201	53	254
Total	**55,433**	**118,846**	**174,279**

Distribution of Current Retirees by Dental Benefit Coverage Type			
	Under 65	**At Least 65**	**Total**
One Party	21,511	64,147	85,658
Two Party	21,538	50,987	72,525
Family	12,384	3,712	16,096
Total	**55,433**	**118,846**	**174,279**

California State Employees			
Distribution of Retiree Dental Benefit Plan by Age			
Attained Age	**Male**	**Female**	**Total**
Under 40	278	219	497
40-44	395	291	686
45-49	639	727	1,366
50-54	4,073	2,787	6,860
55-59	8,107	8,757	16,864
60-64	13,424	15,736	29,160
65-69	18,691	18,398	37,089
70-74	14,567	13,628	28,195
75-79	10,407	10,010	20,417
80-84	7,366	7,902	15,268
85-89	4,574	6,166	10,740
90 & Over	2,245	4,892	7,137
Totals	**84,766**	**89,513**	**174,279**

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	64	-	-	-	-	-	-	64
20-24	3,703	16	-	-	-	-	-	3,719
25-29	14,486	3,055	25	-	-	-	-	17,566
30-34	13,398	12,217	2,206	28	-	-	-	27,849
35-39	9,511	11,397	7,721	2,650	13	-	1	31,293
40-44	7,007	9,210	8,068	8,206	1,721	50	-	34,262
45-49	6,053	7,910	7,373	8,978	6,340	2,430	40	39,124
50-54	5,308	6,831	6,160	7,734	6,096	6,991	1,779	40,899
55-59	4,488	5,616	5,236	6,384	4,510	5,339	4,422	35,995
60-64	2,597	4,155	3,763	4,210	2,695	3,004	2,845	23,269
65 & Over	1,426	2,369	2,029	2,219	1,248	1,142	1,255	11,688
Totals	**68,041**	**62,776**	**42,581**	**40,409**	**22,623**	**18,956**	**10,342**	**265,728**

California State Employees													
Counts of Current Active Participants and Retirees by Valuation Group													
	State Miscellaneous					**State Police Officers and Firefighters (POFF)**							
	California State University (CSU)	**State Employees excluding CSU**	**All State Misc.**	**State Industrial Members**	**Highway Patrol**	**CSU POFF**	**POFF excluding CSU**	**All State POFF**	**Other State Safety**	**Judges Ret. System**	**Legislative Retirement System**	**County Fair**	**Total**
Active Participants	43,740	133,559	177,299	11,327	7,227	400	40,704	41,104	26,515	1,690	8	558	265,728
Retired Participants	28,319	89,272	117,591	4,912	7,386	306	27,792	28,098	13,299	1,709	93	156	173,244
Total Participants	**72,059**	**222,831**	**294,890**	**16,239**	**14,613**	**706**	**68,496**	**69,202**	**39,814**	**3,399**	**101**	**714**	**438,972**

SECTION E

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Other Postemployment Benefits
Sponsored by the
State of California

As of June 30, 2015

The actuarial assumptions used in the valuation are shown in this Section. Assumptions that are specific to certain groups (i.e., State Miscellaneous, State Industrial, CHP, POFF, State Safety, JRS and LRS) are discussed under the Demographic and Certain Economic Assumptions subsection and were based on the most recent pension valuation reports produced by CalPERS. Assumptions that are common to all types of members and unique to the OPEB valuation are shown in the Healthcare and Other Economic Assumptions subsection. The pension related assumptions were recently updated by CalPERS, and are recognized in the OPEB valuation as of June 30, 2015. The healthcare related assumptions are based on the recommendations from the 2015 experience review for the years July 1, 2007, to June 30, 2014, and were approved by the SCO.

Actuarial Assumptions and Methods

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

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

The Actuarial Valuation of the State's OPEB is similar to the Actuarial Valuations performed for the State's pension plans. The demographic assumptions (rates of retirement, termination, disability and mortality, etc.) used in this OPEB Valuation were identical to those used in the most recent CalPERS Valuations. The demographic assumptions are disclosed in Section F of this report.

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

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

- Healthcare trend – Select and ultimate healthcare trend rates were developed separately for the PPO, prescription drug, HMO and dental plans. For the medical and drug plans, the select and ultimate trend rates were set at actual increases for 2016 and 8.00 percent in 2017 graded down over a five year period until an ultimate trend rate of 4.50 percent is reached in 2022. Based on a review of supporting documentation provided by CalPERS and a review of various publically available trend studies, the 2016 trend rate for the PPO per capita claims costs is assumed to be 10.00 percent for Pre-Medicare medical, 11.00 percent for Pre-Medicare prescription, 7.00 percent for Post-Medicare medical and 11.00 for Post-Medicare prescription. Beginning in the year 2023 for Future Retirees, the ultimate trend rate on the Employer's explicit contribution includes an additional 0.14 percent to account for the Excise Tax under Federal Healthcare Reform. For the dental plans, select and ultimate trend rates were set at 0.00 percent for 2016 and 4.50 percent for 2017 and beyond. The trend rates are net of any increases due to the potential dissipation of the EGWP-Wrap design savings in 2021. Effective trend for the Post-Medicare plans affected by the EGWP-Wrap design would be higher until the year 2021. These higher effective trend rates gradually eliminate the approximately 34 percent savings for PERSCare, 35 percent savings for PERS Choice and five percent savings for the HMO plans remaining as of June 30, 2015, due to the EGWP-Wrap plan design. The dental trend rate assumption deviated slightly from the CalPERS OPEB assumption parameters in the sense that trend was not assumed to be flat.

- Per capita claim costs – Claims costs were developed separately for the PPO, prescription drug, HMO and dental plans. Costs were developed for pre-Medicare and post-Medicare coverage at each respective age and gender, using overall average costs adjusted for morbidity.

- Other healthcare assumptions – The proportion of members selecting a particular plan and coverage at retirement was based on the most current census and enrollment data.

HEALTHCARE AND OTHER ECONOMIC ASSUMPTIONS

Discount Rate

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

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

Assets for Bargaining Units Participating in the CERBT: Assets for Bargaining Units participating in the CERBT are allocated to the various pension groups based upon the accrued liability calculated as of June 30, 2014, in the GASB 43 valuations for each respective Bargain Unit.

Health Cost and Premium Increases – *See table below*

Year	Trend Assumption - Per Capita Costs						
	PPO Plans				HMO Plans		Dental
	Pre-Medicare		Post-Medicare		Pre-Medicare	Post-Medicare	
	Medical	Rx	Medical	Rx	Medical/Rx	Medical/Rx	
2016	10.00%	11.00%	7.00%	11.00%	6.75%*	-3.36%***	0.00%*
2017	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	4.50%
2018	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	4.50%
2019	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	4.50%
2020	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	4.50%
2021	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	4.50%
2022	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2023 and Beyond	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

Year	Trend Assumption - Premiums and Statutory Cap						
	PPO Plans		HMO Plans		Dental	Part B	Statutory Cap
	Pre-Medicare	Post-Medicare	Pre-Medicare	Post-Medicare			
	Medical/Rx	Medical/Rx	Medical/Rx	Medical/Rx			
2016	11.48%*	9.23%*	6.75%*	-3.36%***	0.00%*	0.00%	7.65%*
2017	8.00%	8.00%	8.00%	8.00%	4.50%	4.50%	8.00%
2018	7.50%	7.50%	7.50%	7.50%	4.50%	4.50%	7.50%
2019	7.00%	7.00%	7.00%	7.00%	4.50%	4.50%	7.00%
2020	6.50%	6.50%	6.50%	6.50%	4.50%	4.50%	6.50%
2021	5.50%	5.50%	5.50%	5.50%	4.50%	4.50%	5.50%
2022	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
2023 and Beyond	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%**

**Based on actual increases*

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

****Includes impact of new UnitedHealthcare Medicare Advantage program effective January 1, 2016.*

All increases are assumed to occur 1/1 of each year beginning 1/1/2016.

The trend rates shown are net of any increases due to the potential dissipation of the EGWP-Wrap design changes in 2021. Effective trend for the Post-Medicare plans affected by the EGWP-Wrap design changes would be higher until the year 2021. These higher effective trend rates gradually eliminate the approximately 34 percent savings for PERSCare, 35 percent savings for PERS Choice and five percent savings for the HMO plans remaining as of June 30, 2015, due to the EGWP-Wrap plan design.

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

Employer Contribution Percentage of Premium	Participation Rate for Retirees with Healthcare Coverage While Active	Participation Rate for Retirees without Healthcare Coverage While Active
less than 50%	75%	15%
50% to 75%	90%	15%
75% to 90%	95%	25%
90% to 100%	98%	50%

Percent of Disabilities Treated as Post-Medicare: Five percent of Public Safety disabilities and 35 percent of all other disabilities are assumed to be eligible for Medicare.

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

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

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

Aging Factors: In any given year, the cost of medical and prescription drug benefits vary by age. As the ages of employees and retirees in the covered population increase so does the cost of benefits. Morbidity tables are employed to develop Per Capita Costs at every relevant age. The following table represents the percent by which the cost of benefits for non-disabled lives at one age is higher than the cost for the previous age. For example, according to the following table, the cost of benefits for a male in the PPO plan age 55 is 2.89 percent higher than for one age 54. These percentages below are separate from the annual Medical Trend, which operates to increase costs independent of and in addition to the Aging Factors shown below. These factors, with the exception of the Pre-Medicare HMO rates, were developed using actual experience.

Aging factors for the PPO and prescription drug plans were based on gross claim and enrollment experience data broken out by five-year age intervals, for calendar years 2010 through 2013. 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 HMO were calculated by adjusting the PPO medical factors to account for relative differences between HMO and PPO plans.

Sample Ages	Cost Increase by Age					
	Medical - PPO		Rx - PPO		HMO	
	Male	Female	Male	Female	Male	Female
45	3.26%	1.48%	7.27%	6.56%	3.21%	1.58%
50	3.07%	1.61%	4.54%	4.20%	3.14%	1.67%
55	2.89%	1.69%	3.04%	2.84%	3.20%	1.90%
60	2.73%	1.75%	2.04%	1.92%	2.88%	1.98%
65	2.58%	1.78%	1.30%	1.22%	2.65%	1.89%
70	2.44%	1.80%	0.69%	0.64%	2.48%	1.85%
75	2.32%	1.79%	0.15%	0.11%	2.33%	1.82%
80	2.20%	1.78%	0.00%	0.00%	2.21%	1.79%
85	2.10%	1.75%	0.00%	0.00%	2.10%	1.76%
90	2.00%	1.72%	0.00%	0.00%	2.00%	1.73%

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. Costs for the HMO plans were based on the aggregate premium and enrollment data for active and retired members. The per capita costs for PERS Select and the two association PPOs (CAHP and PORAC) were developed using costs for PERS Choice adjusted by the ratio of single premium for the association plan and PERS Choice. The average costs for each respective plan were age adjusted using the morbidity factors described above.

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
	PERS Choice - PPO			
	Medical		Prescription	
Age	Male	Female	Male	Female
50	$525.45	$525.45	$163.82	$163.82
55	611.17	569.03	204.58	201.24
60	704.83	618.87	237.62	231.48
65	128.68	107.71	182.66	176.84
70	146.16	117.66	194.87	187.87
75	164.91	128.61	201.72	193.91
80	184.92	140.56	203.20	194.96

Costs for Retirees and Spouses Expected Monthly Per Capita Costs				
	PERSCare - PPO			
	Medical		Prescription	
Age	Male	Female	Male	Female
50	$904.49	$904.49	$234.06	$234.06
55	1,052.05	979.51	292.29	287.52
60	1,213.27	1,065.30	339.49	330.72
65	155.06	129.79	205.75	199.19
70	176.12	141.78	219.51	211.61
75	198.71	154.97	227.22	218.42
80	222.83	169.38	228.88	219.61

Costs for Retirees and Spouses (Expected Monthly Per Capita Costs)		
	All HMO Plans	
	Medical/Rx	
Age	Male	Female
50	$643.59	$711.80
55	751.76	772.45
60	879.60	846.65
65	274.50	252.84
70	312.83	277.72
75	353.51	304.39
80	396.71	333.12

PPO Per Capita Claim Cost Expense Load: The following table shows the administrative expenses, per member per month, included in the PPO medical per capita claims costs before application of the aging factors.

Medical Plan	Per Member Per Month Expenses
PERS Choice - Pre-Medicare	$27
PERS Choice - Post-Medicare	38
PERSCare - Pre-Medicare	23
PERSCare - Post-Medicare	38

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 2014 and 2015. Dental costs do not vary by age or gender.

Costs for Retirees and Spouses Expected Monthly Per Capita Costs - Non CSU Retirees				
	Dental Plans			
	DPO/Indemnity		Pre-Paid Plans	
Age	First Person	Second Person	First Person	Second Person
50	$49.99	$37.15	$19.11	$11.50
55	49.99	37.15	19.11	11.50
60	49.99	37.15	19.11	11.50
65	49.99	37.15	19.11	11.50
70	49.99	37.15	19.11	11.50
75	49.99	37.15	19.11	11.50
80	49.99	37.15	19.11	11.50

Costs for Retirees and Spouses Expected Monthly Per Capita Costs - CSU Retirees				
	Dental Plans			
	DPO/Indemnity		Pre-Paid Plans	
Age	First Person	Second Person	First Person	Second Person
50	$32.64	$27.52	$22.00	$13.19
55	32.64	27.52	22.00	13.19
60	32.64	27.52	22.00	13.19
65	32.64	27.52	22.00	13.19
70	32.64	27.52	22.00	13.19
75	32.64	27.52	22.00	13.19
80	32.64	27.52	22.00	13.19

Adjustments for Disabled Members: Claims for disabled members were increased by 10 percent if not eligible for Medicare and 40 percent if eligible for Medicare.

Adjustments for Children: Claims for current retirees and survivors were increased by eight percent for medical claims and 10 percent for dental claims until the retiree or survivor reaches age 65. The composite claims were increased for future retirees and survivors of future retirees by two percent for medical claims and three percent for dental claims until the retiree or survivor reaches age 65.

Medicare Part B Premiums: Members are assumed to pay $104.90 in 2015. Our valuation assumes Social Security benefits increase at 3.0 percent per year and will be sufficient to cover projected increases in the Part B premium. Our valuation does not consider the member's income when estimating Part B premiums.

Employer Group Waiver Plan: The per capita costs include approximately 34 percent savings for PERSCare, 35 percent savings for PERS Choice and five percent savings for the HMO plans remaining as of June 30, 2015, due to the EGWP-Wrap plan design. It was assumed that the EGWP savings would wear away ratably from 2015 to 2020, and the trend rates for post-Medicare prescription benefits were adjusted accordingly.

Migration to United Healthcare Medicare Advantage Plan: Medicare members enrolled in the Kaiser HMO are assumed to remain in the Kaiser HMO. Medicare members enrolled in other HMOs are assumed to select the United Healthcare Medicare Advantage plan.

ACTUARIAL METHODS

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

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

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

Data Processing: The following data processing methods were required for the June 30, 2015, valuation:

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

SECTION F

PENSION-RELATED ASSUMPTIONS

PENSION-RELATED ASSUMPTIONS

Actuarial Assumptions Applicable to All Plans

Other Postemployment Benefits
Sponsored by the
State of California

As of June 30, 2015

ECONOMIC ASSUMPTIONS:

Salary Growth

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

Annual Percentage Increase

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

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

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

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

Overall Payroll Growth

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

Inflation

2.75% compounded annually.

DEMOGRAPHIC ASSUMPTIONS:

Marital Status

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

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

Age of Spouse

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

MISCELLANEOUS ASSUMPTIONS:

Tier 2 Members electing Tier 1 benefits

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

Plan Specific Actuarial Assumptions

STATE MISCELLANEOUS TIER 1 AND TIER 2

Service Retirement – Classic Members

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

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

Service Retirement – PEPRA Members

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

Attained Age	Years of Service 5	10	15	20	25	30	35
50	0.000	0.000	0.000	0.000	0.000	0.000	0.000
52	0.003	0.008	0.011	0.014	0.018	0.020	0.023
54	0.006	0.015	0.021	0.026	0.032	0.038	0.043
56	0.010	0.027	0.038	0.046	0.057	0.067	0.076
58	0.014	0.038	0.053	0.065	0.080	0.093	0.108
60	0.021	0.056	0.078	0.097	0.118	0.138	0.160
62	0.038	0.100	0.141	0.174	0.213	0.249	0.287
65	0.049	0.131	0.184	0.225	0.276	0.323	0.374
70	0.050	0.134	0.188	0.231	0.284	0.331	0.383
75	1.000	1.000	1.000	1.000	1.000	1.000	1.000

STATE MISCELLANEOUS TIER 1 AND TIER 2 (CONTINUED)

Termination with Refund

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

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

Terminations with Vested Deferred Benefits

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

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

STATE MISCELLANEOUS TIER 1 AND TIER 2 (CONTINUED)

Non-Industrial Death

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

Non-Industrial Disability

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

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

Postretirement Mortality

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

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

STATE INDUSTRIAL TIER 1 AND TIER 2

Service Retirement – Classic Members

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

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

Service Retirement – PEPRA Members

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

Attained	Years of Service						
Age	5	10	15	20	25	30	35
50	0.000	0.000	0.000	0.000	0.000	0.000	0.000
52	0.004	0.008	0.013	0.018	0.022	0.023	0.027
54	0.011	0.020	0.032	0.047	0.055	0.059	0.070
56	0.014	0.026	0.040	0.060	0.070	0.074	0.088
58	0.019	0.035	0.053	0.080	0.094	0.099	0.118
60	0.030	0.056	0.087	0.130	0.153	0.162	0.192
62	0.061	0.111	0.174	0.257	0.302	0.322	0.381
65	0.075	0.138	0.214	0.318	0.374	0.398	0.471
70	0.089	0.163	0.254	0.376	0.444	0.472	0.559
75	1.000	1.000	1.000	1.000	1.000	1.000	1.000

STATE INDUSTRIAL TIER 1 AND TIER 2 (Continued)

Termination with Refund

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

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

Terminations with Vested Deferred Benefits

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

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

STATE INDUSTRIAL TIER 1 AND TIER 2 (Continued)

Non-Industrial Death

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

Industrial Disability, Non-Industrial Disability & Industrial Death

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

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

Postretirement Mortality

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

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

STATE SAFETY

Service Retirement – Classic Members

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

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

Service Retirement – PEPRA Members

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

Attained	Years of Service						
Age	5	10	15	20	25	30	35
50	0.010	0.018	0.024	0.028	0.031	0.041	0.048
52	0.007	0.012	0.016	0.020	0.021	0.028	0.033
54	0.018	0.031	0.041	0.048	0.054	0.070	0.083
56	0.029	0.048	0.065	0.076	0.085	0.110	0.131
58	0.032	0.054	0.074	0.086	0.096	0.124	0.147
60	0.039	0.065	0.088	0.104	0.115	0.149	0.177
62	0.056	0.094	0.127	0.149	0.166	0.216	0.256
65	0.086	0.144	0.195	0.229	0.256	0.332	0.393
70	0.086	0.144	0.195	0.229	0.255	0.331	0.393
75	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Termination with Refund

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

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

STATE SAFETY (Continued)

Terminations with Vested Deferred Benefits

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

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

Non-Industrial Death

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

Industrial Disability, Non-Industrial Disability & Industrial Death

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

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

STATE SAFETY (Continued)

Postretirement Mortality

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

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

STATE PEACE OFFICERS AND FIREFIGHTERS

Service Retirement – Classic Members

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

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

Service Retirement – PEPRA Members

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

Attained	Years of Service						
Age	5	10	15	20	25	30	35
50	0.011	0.036	0.049	0.064	0.102	0.149	0.173
52	0.010	0.031	0.042	0.056	0.088	0.126	0.146
54	0.014	0.048	0.065	0.083	0.132	0.196	0.227
56	0.018	0.059	0.080	0.101	0.162	0.241	0.280
58	0.023	0.073	0.098	0.123	0.198	0.295	0.343
60	0.025	0.084	0.114	0.142	0.229	0.342	0.397
62	0.030	0.099	0.133	0.164	0.267	0.401	0.467
65	0.030	0.103	0.139	0.171	0.277	0.418	0.486
70	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Termination with Refund

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

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

STATE PEACE OFFICERS AND FIREFIGHTERS (Continued)

Terminations with Vested Deferred Benefits

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

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

Non-Industrial Death

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

Industrial Disability, Non-Industrial Disability & Industrial Death

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

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

STATE PEACE OFFICERS AND FIREFIGHTERS (Continued)

Postretirement Mortality

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

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

CALIFORNIA HIGHWAY PATROL

Service Retirement – Classic Members

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

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

Service Retirement – PEPRA Members

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

Attained	Years of Service						
Age	5	10	15	20	25	30	35
50	0.035	0.035	0.035	0.035	0.104	0.198	0.228
52	0.030	0.030	0.030	0.030	0.091	0.173	0.199
54	0.041	0.041	0.041	0.041	0.122	0.232	0.267
56	0.043	0.043	0.043	0.043	0.129	0.245	0.282
58	0.044	0.044	0.044	0.044	0.131	0.249	0.287
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Termination with Refund

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

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

CALIFORNIA HIGHWAY PATROL (Continued)

Terminations with Vested Deferred Benefits

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

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

Non-Industrial Death & Industrial Death

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

Industrial Disability& Non-Industrial Disability

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

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

CALIFORNIA HIGHWAY PATROL (Continued)

Postretirement Mortality

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

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

JUDGES' RETIREMENT SYSTEM I

Probability of Termination from Active Service

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

Probability of Service Retirement

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

Mortality

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, the revised rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

JUDGES' RETIREMENT SYSTEM II

Service Retirement

Rates vary by age and service.

Service Greater than 20 years

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

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

Withdrawal

Rates vary by age and service.

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

Pre-Retirement Non-Industrial Mortality

Rates vary by age.

JUDGES' RETIREMENT SYSTEM II (Continued)

Non-Industrial Disability

Rates vary by age.

Attained Age	Pre-Retirement Mortality Male	Pre-Retirement Mortality Female	Non-Industrial Disability
35	0.0006	0.0004	0.0000
40	0.0008	0.0005	0.0010
45	0.0011	0.0007	0.0019
50	0.0016	0.0010	0.0032
55	0.0023	0.0014	0.0054
60	0.0031	0.0018	0.0085
65	0.0040	0.0026	0.0122
70	0.0052	0.0037	0.0000

Industrial Mortality

Rates are zero.

Industrial Disability

Rates are zero.

Post-Retirement Mortality:

Rates vary by age and sex.

Age	Healthy Male	Healthy Female	Non-Industrial Disability Male	Non-Industrial Disability Female	Age	Healthy Male	Healthy Female	Non-Industrial Disability Male	Non-Industrial Disability Female
35	0.0006	0.0005	0.0079	0.0049	75	0.0221	0.0172	0.0399	0.0304
40	0.0011	0.0009	0.0095	0.0061	80	0.0390	0.0290	0.0608	0.0473
45	0.0023	0.0020	0.0122	0.0080	85	0.0697	0.0524	0.0973	0.0776
50	0.0050	0.0047	0.0168	0.0116	90	0.1297	0.0989	0.1480	0.1289
55	0.0060	0.0042	0.0197	0.0115	95	0.2244	0.1849	0.2244	0.2175
60	0.0071	0.0044	0.0229	0.0124	100	0.3254	0.3002	0.3254	0.3002
65	0.0083	0.0059	0.0245	0.0161	105	0.5853	0.5609	0.5853	0.5609
70	0.0131	0.0099	0.0288	0.0221	110	1.0000	1.0000	1.0000	1.0000

Legislators’ Retirement System

Probabilities of Decrement for Active Participants

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

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

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

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

Age	Vested Withdrawal	Disability	Non-Vested Withdrawal
30	50.0	0.1	25.0
35	50.0	0.2	25.0
40	50.0	0.7	20.0
41	50.0	0.8	15.0
42	40.0	0.9	15.0
43	40.0	1.0	15.0
44	40.0	1.1	15.0
45	40.0	1.2	15.0
46	40.0	1.3	15.0
47	40.0	1.5	15.0
48	40.0	1.7	15.0
49	40.0	1.9	15.0
50	40.0	2.2	10.0
51	40.0	2.5	5.0
52	40.0	3.0	0.0
53	40.0	3.6	0.0
54	40.0	4.3	0.0
55	40.0	5.0	0.0
56	40.0	5.8	0.0
57	40.0	6.7	0.0
58	40.0	7.5	0.0
59	40.0	8.4	0.0
60	40.0	9.5	0.0

Legislators' Retirement System (Continued)

Pre-Retirement Non-Industrial Mortality

Rates vary by age and sex.

Mortality Rates After Leaving Active Participation

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, the revised rates include 20 years of projected on-going mortality improvement using Scale BB published by the Society of Actuaries.

Age	Healthy Male	Healthy Female	Disability Male	Disability Female	Age	Healthy Male	Healthy Female	Disability Male	Disability Female
35	0.0006	0.0005	0.0079	0.0049	75	0.0221	0.0172	0.0399	0.0304
40	0.0011	0.0009	0.0095	0.0061	80	0.0390	0.0290	0.0608	0.0473
45	0.0023	0.0020	0.0122	0.0080	85	0.0697	0.0524	0.0973	0.0776
50	0.0050	0.0047	0.0168	0.0116	90	0.1297	0.0989	0.1480	0.1289
55	0.0060	0.0042	0.0197	0.0115	95	0.2244	0.1849	0.2244	0.2175
60	0.0071	0.0044	0.0229	0.0124	100	0.3254	0.3002	0.3254	0.3002
65	0.0083	0.0059	0.0245	0.0161	105	0.5853	0.5609	0.5853	0.5609
70	0.0131	0.0099	0.0288	0.0221	110	1.0000	1.0000	1.0000	1.0000

APPENDIX
GLOSSARY

GLOSSARY

Other Postemployment Benefits
Sponsored by the
State of California

As of June 30, 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pooled Money Investment Account (PMIA). An account administered by the Pooled Money Investment Board in the State of California that is limited to investments in the following categories: U.S. government securities, securities of federally-sponsored agencies, domestic corporate bonds, interest-bearing time deposits in California banks, savings and loan associations and credit unions, prime-rated commercial paper, repurchase and reverse repurchase agreements, security loans, banker's acceptances, negotiable certificates of deposit and loans to various bond funds.

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

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

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

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

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

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

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