CITY OF BEVERLY HILLS
STAFF REPORT

Meeting Date:	September 2, 2008
To:	Honorable Mayor & City Council
From:	Scott G. Miller, PhD, Director of Administrative Services/CFO Sharon Rahban, CPA, Accounting Manager
Subject:	Other Post Employment Benefits (OPEB)
Attachments:	1. Actuarial Report 2. Amendment to Actuarial Report

INTRODUCTION

This report presents the actuarial analysis of the City's liability in regards to Other Post Employment Benefits (OPEB), i.e. Post Employment Health Care Costs as required by the Governmental Accounting Standards Board (GASB) Statement 45. This report is intended as background information. Staff will use this analysis to prepare several possible funding options for our identified and unfunded liabilities and present these to the City Council within the next two months.

BACKGROUND

GASB found that in addition to pensions, many state and local governmental employers provided other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits when provided separately from a pension plan. GASB Statement 45 established standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures and required supplementary information in the financial reports of the state and local governmental employer.

GASB believes that Statement 45 improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

This report is intended to provide information on the City's current unfunded liability for all existing employees. A separate report, to be presented in the next two months, will provide information and discussion points for addressing future liabilities as new employees join the City and alternatives to the current program that will assist the City in keeping current employees whole while containing costs in the future.

FISCAL IMPACT

The City has contracted with an actuarial firm, Aon Consulting, to calculate the future financial liability of these obligations to the City. This is the first year of calculation and of reporting.

As of July 1, 2007 valuation date the calculated liability to be paid over the next 30 years is: $42,137,000. The City has paid $1,341,307 as of June 5th, 2008, decreasing the liability to $40,795,693. These are assets that have already been paid to beneficiaries.

For the purposes of the actuarial calculations the discount rate assumed for liability is 5.00% where the assumption is that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively. The annual rate at which total payroll is expected to increase is 3.25%. Only current active and retired participants are valued.

The inflation rate assumed for health care costs in 2008 is 10%. The average health care cost inflation rate for the next 5 years is 7%.

It should be noted that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

RECOMMENDATION

Staff will use this analysis to prepare several possible funding options for our identified and unfunded liabilities and present these to the City Council within the next two months. A separate report, to be presented at the same time and in conjunction with the funding report, will provide information and discussion points for addressing future liabilities.

Approved by

Attachment 1

AON CONSULTING

CITY OF BEVERLY HILLS

POSTRETIREMENT HEALTH BENEFITS

Actuarial Valuation Study

Valuation Date: **July 1, 2007**

Date of Report: **December 28, 2007**

Attachment 1

Executive Summary

Background

The City of Beverly Hills provides retiree healthcare benefits for employees who retire with CalPERS pension benefits immediately upon termination of employment from the City. Eligible retirees may elect coverage through the City's contract with CalPERS healthcare benefits.

The City provides medical insurance for retirees and eligible family members. The City pays the PEMHCA minimum benefit amount according to the current CalPERS rate schedule (i.e. $80.80 per month in 2007) on behalf of each retiree or surviving spouse in this program. In addition to the monthly PEMHCA amounts, the City will also provide benefits depending on bargaining unit, which are detailed in the Summary of Principal Plan Provisions.

GASB 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement 45, which addresses accounting and financial reporting for Postemployment Benefits Other Than Pensions (OPEB). This statement replaces and significantly modifies prior guidance. GASB 45 is effective for government entities as early as fiscal years beginning after December 15, 2006.

Although adoption of the GASB guidance is not required immediately, there are several reasons an agency should review its OPEB obligations sooner rather than later, such as:

- Pre-funding alternatives – although funding is not required, an unfunded plan results in higher balance sheet liabilities and costs
- Bargaining issues – recognizing how the obligation will impact the collective bargaining process in the near and long term
- Bond rating – potential impact to the cost of debt due to unfunded liabilities

The liabilities and annual costs for the City's contribution promises to retirees are calculated in this actuarial valuation in accordance with GASB 45. Similar to most government entities, the City does not currently pre-fund contributions in a qualified irrevocable trust or recognize OPEB liability as benefits are accrued. As this report shows, any required accrual determined on a GASB basis will be considerably higher than the amount on a pay-as-you-go basis.

It is important to note that only current active and retired participants are valued in this actuarial study. Future new entrants or any projected growth in the City's employee population are not considered.

This actuarial valuation determines the liabilities and annual costs for benefits as if the City adopted GASB 45 for the fiscal year ending June 30, 2008.

Attachment 1

Executive Summary (cont.)

ARC Development

GASB requires an Annual Required Contribution (ARC) to be developed each year based on the Plan's assets and liabilities. Although GASB does not actually require pre-funding, the portion of the ARC that is not funded each year accumulates as a liability on the City's financial statements.

The ARC can be developed under a variety of funding methods. This report shows results under two of the methods permitted – Aggregate and Entry Age Normal. We also show the ARC calculated using different amortization periods as a level percent of pay.

Summary of Results

Liabilities

There are a few terms to understand related to the Plan's liabilities. The Present Value of Benefits (PVB) represents the actuarial present value of all future benefits expected to be paid to current employees and retirees. The Actuarial Accrued Liability (AAL) is the portion of the PVB attributable to past service. The Normal Cost is the portion of the PVB that is allocated to the current plan year for active employees.

Each liability is a present value calculated by using a selected discount rate. As requested by the City, results in this report are shown using a 5.00% discount rate. In order to understand the sensitivity of results to changing this assumption, we also show results based on a 7.75% discount rate. The table below summarizes the liability results based on these two discount rates as of July 1, 2007:

	5.00%	7.75%
Present Value of Benefits (PVB)	\$63,786,000	\$41,518,000
Actuarial Accrued Liability (AAL)	\$49,999,000	\$35,430,000
Normal Cost	\$1,478,000	\$780,000

Note: The AAL and normal costs shown above were calculated by spreading costs over the participants' working lifetimes as a level percentage of pay. The costs could also be spread as level dollar amounts.

As an explanation of the meaning of the discount rate, the PVB using a 7.75% discount rate implies that if the City invested \$41,518,000 today in an interest bearing account that earns 7.75%, the liabilities would be fully funded. By comparison, if the interest bearing account were to only earn 5.00%, \$63,786,000 would be required to fully fund the liability.

Executive Summary (cont.)

Discount Rate Selection

As illustrated above, the discount rate can have a considerable impact on the magnitude of the liabilities, with lower discount rates resulting in higher liabilities. As guidance in selecting an appropriate discount rate, GASB states that the discount rate should be based on the long-term yield of investments used to finance the benefits.

For example, if the City were to pre-fund the obligations by contributing into a trust with a mix of asset classes, 7.75% might be an appropriate discount rate. However, for an unfunded plan or in the case where contributions are simply allocated to separate accounts, but still reside in general assets, it is more appropriate to consider the return on general City assets. The liabilities shown in the report are based on a 5.00% discount rate.

If the City wanted to better understand the long term advantages and disadvantages to pre-funding in a trust, a study which projects cash flow, accrual amounts, and balance sheet obligations based on current and future participants should be performed.

Annual Required Contributions (ARC)

As discussed above, the ARC can be developed using various methodologies. Selecting an appropriate method and amortization period for funding the liabilities is a balance between the City's ability to pay costs immediately and the long-term cost of borrowing.

The following table summarizes the ARC under the methodologies provided in the report based on both the 5.00% and 7.75% discount rates for the fiscal year ending June 30, 2008:

	5.00%	**7.75%**
Aggregate Method	$8,145,000	$5,965,000
% of pay	15.1%	11.1%
Entry Age Normal Method		
30 year amortization	$3,693,000	$2,977,000
% of pay	6.9%	5.5%
20 year amortization	$4,521,000	$3,530,000
% of pay	8.4%	6.6%
10 year amortization	$7,032,000	$5,287,000
% of pay	13.1%	9.8%

These annual costs can be compared to the estimated pay-as-you-go funding amount of $1,423,000.

Executive Summary (cont.)

The difference in the cost methods is the period over which past service liabilities are spread. The aggregate method spreads unfunded past service liabilities over the future working lifetimes of active participants while the entry age normal method spreads unfunded past service liabilities over the specified amortization period. It should be noted that the entry age normal method with costs spread as a level percent of pay is used to determine the ARC for CalPERS retirement plans.

The results shown are developed by spreading costs as a level percent of payroll ($54 million), as compared to a level dollar amount. Funding as a percent of payroll reduces current costs but increases future costs as City payroll increases. Funding over a longer period reduces annual costs but extends the funding period.

Sensitivity to Healthcare Trend

The healthcare trend rate also has a significant effect on the amounts reported. To illustrate, increasing the healthcare trend rates by one percentage point each year would increase the accrual by approximately 18 – 19%.

* * *

The remainder of the report shows the details of results by bargaining unit, based on a 5.0% discount rate.

Attachment 1

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Attachment 1

I Actuarial Valuation Certificate

This report presents the results of the actuarial valuation for the City of Beverly Hills Postretirement Health Benefits as of July 1, 2007 for development of the Annual Required Contribution and disclosure items under Governmental Accounting Standards Board (GASB) Statement 45.

This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

Aon Consulting did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB 45 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations for purposes other than meeting Employer financial accounting requirements may be different from these results. As required by GASB 45, this valuation assumes this will be an ongoing plan. However, this assumption does not imply any obligation by the employer to continue the plan.

This report is intended for the sole use of the City of Beverly Hills. It is intended only to supply information for the City to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the City of Beverly Hills should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Consulting.

The actuary whose signature appears below is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuary is available to answer any questions with regard to the matters enumerated in this report.

I Actuarial Valuation Certificate (cont.)

Aon's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Respectfully submitted,

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December 28, 2007

II Plan Liabilities

The liabilities shown in this exhibit were calculated using a 5.00% discount rate as of the July 1, 2007 valuation date. They are utilized in the development of the Annual Required Contribution (ARC) under various alternatives shown in the following exhibit.

While GASB 45 allows the development of the ARC under various funding cost methods, this report shows the ARC under the Aggregate and Entry Age Normal cost methods, which are based on the following PVB and AAL liabilities, respectively.

The **Present Value of Benefits (PVB)** represents the actuarial present value of all benefits ever to be paid to current employees and retirees. The PVB follows:

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
PVB									
Actives	$ 12,379,000	$ 2,291,000	$ 7,101,000	$ 5,534,000	$ 1,503,000	$ 2,815,000	$ 7,840,000	$ 2,484,000	$ 41,947,000
Retirees	6,111,000	1,646,000	2,047,000	4,019,000	464,000	1,468,000	4,632,000	1,452,000	21,839,000
Total PVB	$ 18,490,000	$ 3,937,000	$ 9,148,000	$ 9,553,000	$ 1,967,000	$ 4,283,000	$ 12,472,000	$ 3,936,000	$ 63,786,000
PVB Per Participant									
Actives	$ 108,000	$ 229,000	$ 96,000	$ 158,000	$ 21,000	$ 12,000	$ 121,000	$ 89,000	$ 67,000
Retirees	$ 102,000	$ 235,000	$ 49,000	$ 191,000	$ 39,000	$ 25,000	$ 154,000	$ 85,000	$ 88,000

II Plan Liabilities (cont.)

The **Actuarial Accrued Liability (AAL)** is a portion of the PVB attributable to past service. For retirees and fully eligible active employees, the AAL is equal to the PVB. For other active employees, the AAL is the portion of the PVB deemed to be accrued to date. The **Normal Cost** is the portion of the PVB that is allocated to the current plan year for active employees.

The AAL in this report is based on the Entry Age Normal cost method and has been developed by spreading costs as a level percentage of payroll. Spreading costs as a level percent of payroll results in lower AAL (i.e. past service liability) and higher normal cost (i.e. future service liability) than if costs are spread as a level amount.

The AAL and Normal Cost developed by spreading costs as a level percent of payroll follows:

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Accrued Liability									
Actives	$ 8,090,000	$ 2,092,000	$ 4,777,000	$ 3,550,000	$ 942,000	$ 1,884,000	$ 5,314,000	$ 1,511,000	$ 28,160,000
Retirees	6,111,000	1,646,000	2,047,000	4,019,000	464,000	1,468,000	4,632,000	1,452,000	21,839,000
Total AAL	$ 14,201,000	$ 3,738,000	$ 6,824,000	$ 7,569,000	$ 1,406,000	$ 3,352,000	$ 9,946,000	$ 2,963,000	$ 49,999,000
AAL Per Participant									
Actives	$ 70,000	$ 209,000	$ 65,000	$ 101,000	$ 13,000	$ 8,000	$ 82,000	$ 54,000	$ 45,000
Retirees	$ 102,000	$ 235,000	$ 49,000	$ 191,000	$ 39,000	$ 25,000	$ 154,000	$ 85,000	$ 88,000
Normal Cost	$ 416,000	$ 42,000	$ 230,000	$ 234,000	$ 55,000	$ 104,000	$ 282,000	$ 115,000	$ 1,478,000
Normal Cost Per Active	$ 3,600	$ 4,200	$ 3,100	$ 6,700	$ 800	$ 500	$ 4,300	$ 4,100	$ 2,000

III Annual Required Contributions

The ARC amounts shown on this page are determined by amortizing future costs as a level percent of payroll. The level percent of payroll method will reduce current costs but increase future costs as City payroll increases over time.

The ARC amounts shown assume payments are made at the end of the year. The assets are allocated proportionately to the actuarial accrued liability for illustration purposes.

Aggregate Cost Method

The Aggregate method is one of the more basic and easy to understand cost methods. Under this method, the ARC is the amount required to fund the unfunded PVB over the future working lifetime of active participants.

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
PVB	$ 18,490,000	$ 3,937,000	$ 9,148,000	$ 9,553,000	$ 1,967,000	$ 4,283,000	$ 12,472,000	$ 3,936,000	63,786,000
Assets	0	0	0	0	0	0	0	0	0
Unfunded PVB	$ 18,490,000	$ 3,937,000	$ 9,148,000	$ 9,553,000	$ 1,967,000	$ 4,283,000	$ 12,472,000	$ 3,936,000	$ 63,786,000
ARC	$ 2,361,000	$ 503,000	$ 1,168,000	$ 1,220,000	$ 251,000	$ 547,000	$ 1,592,000	$ 503,000	$ 8,145,000
Percent of payroll	19.6%	30.3%	13.2%	22.7%	5.4%	4.1%	24.9%	32.9%	15.1%

III Annual Required Contributions (cont.)

Entry Age Normal Cost Method

The Entry Age Normal method is used to develop the City's CalPERS pension costs. Under this method, the ARC is equal to the Normal Cost plus the amortization of the unfunded AAL over the selected period.

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Accrued Liability (AAL)	$ 14,201,000	$ 3,738,000	$ 6,824,000	$ 7,569,000	$ 1,406,000	$ 3,352,000	$ 9,946,000	$ 2,963,000	$ 49,999,000
Assets	0	0	0	0	0	0	0	0	0
Unfunded AAL	$ 14,201,000	$ 3,738,000	$ 6,824,000	$ 7,569,000	$ 1,406,000	$ 3,352,000	$ 9,946,000	$ 2,963,000	$ 49,999,000
Normal cost, plus interest	437,000	$ 44,000	$ 242,000	$ 246,000	$ 58,000	$ 109,000	$ 296,000	$ 121,000	$ 1,553,000
Percent of Payroll	3.6%	2.7%	2.7%	4.6%	1.2%	0.8%	4.6%	7.9%	2.9%
ARC									
30-year Amortization	1,045,000	$ 204,000	$ 534,000	$ 570,000	118,000	$ 252,000	$ 722,000	$ 248,000	$ 3,693,000
Percent of Payroll	8.7%	12.3%	6.0%	10.6%	2.5%	1.9%	11.3%	16.2%	6.9%
20-year Amortization	1,280,000	$ 266,000	$ 647,000	$ 695,000	$ 141,000	$ 308,000	$ 887,000	$ 297,000	$ 4,521,000
Percent of Payroll	10.6%	16.0%	7.3%	12.9%	3.0%	2.3%	13.9%	19.4%	8.4%
10-year Amortization	1,993,000	$ 454,000	$ 990,000	$ 1,075,000	$ 212,000	$ 476,000	$ 1,386,000	$ 446,000	$ 7,032,000
Percent of Payroll	16.6%	27.4%	11.2%	20.0%	4.6%	3.6%	21.7%	29.1%	13.1%

IV Projected Benefit Payments

The following table shows the estimated projected net City benefit payments based on the current plan provisions, current plan participants, and the valuation assumptions used in this report. The payments would be equivalent to funding the liabilities on a pay-as-you-go basis.

Year Ending June 30	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
2008	$ 478,000	$ 83,000	$ 240,000	$ 207,000	$ 24,000	$ 78,000	$ 237,000	$ 76,000	$ 1,423,000
2009	551,000	103,000	255,000	238,000	31,000	92,000	275,000	86,000	1,631,000
2010	638,000	124,000	277,000	274,000	40,000	101,000	319,000	96,000	1,869,000
2011	732,000	146,000	298,000	315,000	46,000	111,000	359,000	113,000	2,120,000
2012	834,000	166,000	353,000	360,000	52,000	121,000	402,000	125,000	2,413,000
2013	908,000	178,000	386,000	383,000	52,000	130,000	445,000	138,000	2,620,000
2014	970,000	191,000	411,000	428,000	54,000	139,000	478,000	151,000	2,822,000
2015	1,041,000	204,000	468,000	438,000	57,000	149,000	505,000	168,000	3,030,000
2016	1,078,000	216,000	529,000	447,000	61,000	160,000	520,000	173,000	3,184,000
2017	1,163,000	227,000	512,000	469,000	72,000	171,000	552,000	185,000	3,351,000
2018	1,209,000	237,000	525,000	501,000	81,000	181,000	591,000	198,000	3,523,000
2019	1,276,000	251,000	522,000	512,000	90,000	190,000	636,000	209,000	3,686,000
2020	1,332,000	258,000	571,000	548,000	106,000	199,000	690,000	219,000	3,923,000
2021	1,422,000	260,000	591,000	579,000	119,000	205,000	726,000	235,000	4,137,000
2022	1,510,000	260,000	638,000	620,000	122,000	211,000	768,000	247,000	4,376,000
2023	1,534,000	268,000	674,000	655,000	136,000	217,000	791,000	252,000	4,527,000
2024	1,582,000	269,000	697,000	694,000	141,000	223,000	828,000	267,000	4,701,000
2025	1,653,000	275,000	702,000	718,000	137,000	228,000	852,000	274,000	4,839,000
2026	1,754,000	282,000	719,000	744,000	152,000	233,000	891,000	287,000	5,062,000
2027	1,814,000	287,000	716,000	751,000	151,000	238,000	902,000	295,000	5,154,000
2028	1,886,000	290,000	710,000	760,000	157,000	244,000	934,000	298,000	5,279,000
2029	1,941,000	295,000	722,000	756,000	151,000	248,000	947,000	302,000	5,362,000
2030	1,976,000	299,000	707,000	774,000	145,000	257,000	959,000	310,000	5,427,000
2031	1,947,000	302,000	723,000	776,000	140,000	265,000	966,000	303,000	5,422,000
2032	2,023,000	304,000	736,000	790,000	154,000	274,000	982,000	309,000	5,572,000
2033	2,053,000	306,000	742,000	801,000	144,000	281,000	1,001,000	315,000	5,643,000
2034	2,015,000	306,000	741,000	808,000	147,000	287,000	1,021,000	319,000	5,644,000
2035	2,017,000	306,000	703,000	798,000	133,000	293,000	1,035,000	313,000	5,598,000
2036	1,891,000	304,000	665,000	796,000	135,000	298,000	1,030,000	309,000	5,428,000
2037	1,801,000	301,000	617,000	782,000	137,000	301,000	1,030,000	308,000	5,277,000

Attachment 1

V GASB Reporting and Disclosure Information

GASB 45 requires certain items to be disclosed in the footnotes to the City's financial statements, including the following:

- Plan description
  - Name of plan and identification of the entity that administers plan
  - Brief description of the types of benefits
- Funding policy
  - Required contribution rates of plan members
  - Required contribution rates of employer

In addition, the tables below show required supplementary information to be shown with three years of historical information in the City's financial statements.

Sample information is shown as if the City adopted GASB 45 for the current fiscal year, elected to use the entry age normal cost method with unfunded liabilities amortized over 30 years, and continues to fund on a pay-as-you-go basis.

Development of Net OPEB Obligation (NOO) and Annual OPEB Cost (000s omitted)

Fiscal Year Ending	Annual Required Contributions	Actual Contribution	NOO End of Year	Interest on Net OPEB Obligation	Adjustment to the Annual Required Contribution	Annual OPEB Cost	Interest Rate	Salary Scale	Amortization Factor
06/30/08	$3,693	$1,423	$2,270	$0	$0	$3,693	5.00%	3.25%	23.4

Schedule of Funding Progress (000s omitted)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	07/01/2007	$0	$49,999	$49,999	0%	$53,832	92.9%	5.00%	3.25%

Schedule of Employer Contributions (000s omitted)

Fiscal Year Ending:	Annual OPEB Costs	Actual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2008	$3,693	$1,423	38.5%	$2,270

VI Participant Information

These exhibit summaries contain participant demographic information.

Active Employee Age/Service Distributions

Sworn Police

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	1	-	-	-	-	-	-	-	1
25-29	2	3	-	-	-	-	-	-	5
30-34	8	7	4	-	-	-	-	-	19
35-39	8	12	5	3	-	-	-	-	28
40-44	2	6	4	7	4	1	-	-	24
45-49	-	2	-	3	8	6	2	-	21
50-54	-	-	-	-	3	7	1	-	11
55-59	-	-	-	-	-	-	3	-	3
60-64	-	-	-	-	-	1	1	-	2
>65	-	-	-	-	-	-	-	1	1
Total	21	30	13	13	15	15	7	1	115

Police Management

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-	-
40-44	-	-	-	1	-	-	-	-	1
45-49	-	-	1	-	-	1	-	-	2
50-54	-	-	-	-	-	4	2	-	6
55-59	-	-	-	-	-	-	-	-	-
60-64	-	-	-	-	-	-	1	-	1
>65	-	-	-	-	-	-	-	-	-
Total	-	-	1	1	-	5	3	-	10

Attachment 1

VI Participant Information (cont.)

Sworn Fire

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	-	1	-	-	-	-	-	-	1
25-29	2	2	-	-	-	-	-	-	4
30-34	2	6	1	-	-	-	-	-	9
35-39	-	5	7	-	-	-	-	-	12
40-44	-	2	3	8	2	-	-	-	15
45-49	-	-	-	5	9	3	-	-	17
50-54	-	-	-	1	3	7	-	-	11
55-59	-	1	-	-	-	2	1	-	4
60-64	-	-	-	-	-	-	-	-	-
>65	-	-	-	-	-	-	-	-	-
Total	4	17	11	14	14	12	1	-	73

Executive

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-
30-34	1	-	-	-	-	-	-	-	1
35-39	1	1	-	-	-	-	-	-	2
40-44	1	2	2	-	-	-	-	-	5
45-49	2	1	-	3	1	-	-	-	7
50-54	-	-	1	1	2	1	-	-	5
55-59	2	-	-	2	2	1	2	-	9
60-64	2	-	-	-	-	-	-	-	2
>65	-	-	-	-	-	-	-	-	-
Total	9	4	3	6	5	2	2	-	31

Safety Support

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	3	1	-	-	-	-	-	-	4
25-29	1	3	-	-	-	-	-	-	4
30-34	-	5	3	-	-	-	-	-	8
35-39	1	5	3	3	-	-	-	-	12
40-44	5	3	3	3	1	-	-	-	15
45-49	1	2	1	2	5	1	-	-	12
50-54	-	-	1	2	5	-	-	-	8
55-59	1	-	-	2	-	-	-	-	3
60-64	1	1	1	-	-	-	-	-	3
>65	-	2	-	-	-	1	-	-	3
Total	13	22	12	12	11	2	-	-	72

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VI Participant Information (cont.)

Technical Service

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	1	-	-	-	-	-	-	-	1
25-29	3	8	1	-	-	-	-	-	12
30-34	4	9	3	1	-	-	-	-	17
35-39	6	15	3	3	-	-	-	-	27
40-44	8	10	11	7	7	1	-	-	44
45-49	1	12	5	6	8	4	-	-	36
50-54	4	7	4	12	13	5	-	-	45
55-59	1	7	2	5	3	5	2	1	26
60-64	-	2	2	2	3	1	1	1	12
>65	-	-	-	-	2	-	2	4	8
Total	28	70	31	36	36	16	5	6	228

Management and Professional

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	-	-	-	-	-	-	-	-	-
25-29	2	-	-	-	-	-	-	-	2
30-34	3	-	-	-	-	-	-	-	3
35-39	2	3	-	-	-	-	-	-	5
40-44	4	6	2	1	1	-	-	-	14
45-49	2	2	2	3	2	2	-	-	13
50-54	1	2	-	2	1	2	-	-	8
55-59	-	2	-	3	2	3	1	-	11
60-64	-	3	-	1	-	1	1	-	6
>65	1	-	-	-	-	-	-	-	1
Total	15	18	4	10	6	8	2	-	63

Confidential

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	-	-	-	-	-	-	-	-	-
25-29	1	-	-	-	-	-	-	-	1
30-34	-	1	-	-	-	-	-	-	1
35-39	1	-	1	-	-	-	-	-	2
40-44	1	1	2	-	-	-	-	-	4
45-49	1	2	1	-	-	1	-	-	5
50-54	1	1	2	-	-	1	-	-	5
55-59	-	1	1	1	-	-	-	-	3
60-64	1	1	-	-	1	-	-	1	4
>65	3	-	-	-	-	-	-	-	3
Total	9	7	7	1	1	2	-	1	28

Attachment 1

VI Participant Information (cont.)

Grand Total – All Groups

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	>35	Total
<25	5	2	-	-	-	-	-	-	7
25-29	11	16	1	-	-	-	-	-	28
30-34	18	28	11	1	-	-	-	-	58
35-39	19	41	19	9	-	-	-	-	88
40-44	21	30	27	27	15	2	-	-	122
45-49	7	21	10	22	33	18	2	-	113
50-54	6	10	8	18	27	27	3	-	99
55-59	4	11	3	13	7	11	9	1	59
60-64	4	7	3	3	4	3	4	2	30
>65	4	2	-	-	2	1	2	5	16
Total	99	168	82	93	88	62	20	8	620

VI Participant Information (cont.)

Participant Statistics

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Actives									
Number of Actives	115	10	73	31	72	228	63	28	620
Number of Active Spouses	920	8	58	25	0	0	50	22	261
Average Age of Actives	41.6	51.6	43.3	50.2	43.1	46.8	48.5	51.3	45.6
Average Past Service	14.4	26.0	16.5	13.8	12.0	14.2	12.6	10.3	14.1
Average Future Service									8.47
Estimated payroll for FYE June 30, 2008 ($ millions)	$12.04	$1.66	$8.85	$5.39	$4.65	$13.33	$6.38	$1.53	$53.83
Retirees									
Number of Retirees	60	7	42	21	12	58	30	17	247
Number of Retirees Spouses	43	6	36	14	0	0	15	5	119
Average Age of Retirees	62.1	58.6	67.1	65.9	65	68.1	66.1	67.4	65.6

VI Participant Information (cont.)

Distribution of Participants by Medical Plan

Actives

Plan Name	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Blue Shield	15	0	15	5	15	51	9	4	114
Kaiser	12	0	7	4	25	111	18	6	183
PERS Choice	0	0	0	0	1	3	0	0	4
PERSCare	11	1	0	19	31	63	36	18	179
PORAC	77	9	51	3	0	0	0	0	140
Subtotal	115	10	73	31	72	228	63	28	620

Retirees

Plan Name	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Blue Shield	3	0	8	1	2	8	0	0	22
Kaiser	11	1	12	2	3	31	8	3	71
PERS Choice	2	0	13	0	1	15	1	1	33
PERSCare	5	2	6	17	6	4	21	13	74
PORAC	39	4	3	1	0	0	0	0	47
Subtotal	60	7	42	21	12	58	30	17	247

Attachment 1

VII Summary of Principal Plan Provisions

The following plan provisions are the basis for the calculations in this actuarial valuation.

1. Benefit Eligibility

The City of Beverly Hills provides retiree healthcare benefits for employees who retire with CalPERS pension benefits immediately upon termination of employment from the City. Eligible retirees may elect coverage through the City's contract with CalPERS healthcare benefits.

2. Benefits / Plans Covered

The City provides medical insurance for retirees and eligible family members. The City pays the PEMHCA minimum benefit amount according to the current CalPERS rate schedule (i.e. $80.80 per month in 2007) on behalf of each retiree or surviving spouse in this program. In addition to the monthly PEMHCA amounts, the City will also provide benefits depending on bargaining unit, as discussed below:

Bargaining Unit	Participant Classification (DOR = Date of Retirement, DOH = Date of Hire – or date promoted)	City Paid Benefit Cap (all units get PEMCHA minimum amount)
Sworn Police	DOR < 7/1/78	PEMCHA minimum only
	DOR > 7/1/78, DOR < 7/1/89	pre-65 - $211/mo; post 65 – none
	DOR > 7/1/89	pre-70 - 2 party rate - PORAC; post 70 - none
Police Management	DOR < 7/1/89	PEMCHA minimum only
	DOR > 7/1/89	2 party rate – PORAC
Sworn Fire	DOR < 7/1/80	PEMCHA minimum only
	DOR > 7/1/80	2 party rate - PERSCare to 65 only (Management must have 15 YOS)
Executive	DOR < 7/1/81	PEMCHA minimum only
	DOR > 7/1/81	2 party rate – PERSCare
Safety Support	DOR < 7/1/84	PEMCHA minimum only
	DOR > 7/1/84, DOR < 7/1/01	pre-65 - 1 party rate, any plan; post 65 – none
	DOR > 7/1/01(and age > 60)	pre-65 - 1 party rate, any plan; post 65 - $150/mo if > 20 YOS, $75/mo if 15-20 YOS
Technical Service	DOR < 2/1/90	PEMCHA minimum only
	DOR > 2/1/90, DOR < 7/1/00	pre-70 - $300/mo; post 70 – none
	DOR > 7/1/00	pre-70 - $300/mo; post 70 - $150/mo if > 20 YOS, $75/mo if 15-20 YOS
Management & Professional	DOR < 7/1/81	PEMCHA minimum only
	DOR > 7/1/81, DOH < 12/2/97	2 party rate – PERSCare
	DOR > 7/1/81, DOH > 12/2/97	1 party rate - PERSCare, City pays 5% / YOS (no surviving spouse continuance)
Confidential	DOR < 7/1/81	PEMCHA minimum only
	DOR > 7/1/81, DOH < 1/1/00	1 party rate – PERSCare
	DOR > 7/1/81, DOH > 1/1/00	1 party rate - PERSCare, City pays 5% / YOS

VII Summary of Principal Plan Provisions (cont.)

3. Disability Benefits

Sworn Police employees who receive disability retirement after July 1, 1987 and are over age 45 with 20 years of service at retirement are eligible for medical coverage under CalPERS.

4. Retiree Contributions

Retirees pay the portion of premiums not paid by the City.

5. Duration of Coverage

Benefits are provided for the lifetime of retirees.

6. Dependent Coverage

Spousal coverage continues for the life of the surviving spouse.

VIII Actuarial Assumptions

1. Actuarial Cost Method

The costs shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) – Level Percent of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued Liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- Specified amortization period (10, 20, or 30 years are shown)
- Level percentage of future payroll amounts

The Plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

2. Discount Rate

5.00% - This is based on the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively. 7.75% was used for the illustration of results assuming the City pre-funds benefits in a trust with a mix of assets classes.

3. Payroll Increases

3.25% - This is the annual rate at which total payroll is expected to increase and is used in the cost method used to calculate the ARC as a level percent of payroll.

VIII Actuarial Assumptions (cont.)

4. Mortality

Mortality rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation. The rates for selected ages are as follows:

	Pre-retirement Mortality					
	Police		Fire		Misc	
Age	Male	Female	Male	Female	Male	Female
30	0.00048	0.00031	0.00048	0.00031	0.00038	0.00021
35	0.00067	0.00044	0.00067	0.00044	0.00054	0.00031
40	0.00094	0.00063	0.00094	0.00063	0.00077	0.00046
45	0.00130	0.00088	0.00130	0.00088	0.00110	0.00068
50	0.00179	0.00125	0.00179	0.00125	0.00156	0.00102
55	0.00248	0.00178	0.00248	0.00178	0.00221	0.00151
60	0.00344	0.00256	0.00344	0.00256	0.00314	0.00226
65	0.00480	0.00369	0.00480	0.00369	0.00447	0.00336

	Post-retirement Mortality					
	Police		Fire		Misc	
Age	Male	Female	Male	Female	Male	Female
50	0.00245	0.00136	0.00245	0.00136	0.00245	0.00136
55	0.00429	0.00253	0.00429	0.00253	0.00429	0.00253
60	0.00721	0.00442	0.00721	0.00442	0.00721	0.00442
65	0.01302	0.00795	0.01302	0.00795	0.01302	0.00795
70	0.02135	0.01276	0.02135	0.01276	0.02135	0.01276
75	0.03716	0.02156	0.03716	0.02156	0.03716	0.02156
80	0.06256	0.03883	0.06256	0.03883	0.06256	0.03883
85	0.10195	0.07219	0.10195	0.07219	0.10195	0.07219

5. Disability

Disability rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation. Sample rates are as follows:

	Police	Fire	Misc	
Age	Unisex	Unisex	Male	Female
30	0.0058	0.0022	.0002	.0004
35	0.0087	0.0032	.0008	.001
40	0.0116	0.0042	.0015	.0016
45	0.0145	0.0053	.0024	.0023
50	0.0175	0.0067	.0037	.0035

Attachment 1

VIII Actuarial Assumptions (cont.)

6. Turnover

Turnover rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation. The following sample rates are based on age and service:

Public Agency - Police

	Years of Service							
Attained Age	0	5	10	15	20	25	30	35
30	0.1299	0.0297	0.0213	0.0129				
35	0.1299	0.0297	0.0213	0.0129	0.0097			
40	0.1299	0.0297	0.0213	0.0129	0.0097	0.0082		
45	0.1299	0.0297	0.0213	0.0129	0.0097	0.0082	0.0076	
50	0.1299	0.0110	0.0068	0.0035	0.0022	0.0015	0.0012	0.0012
55	0.1299	0.0110	0.0068	0.0035	0.0022	0.0015	0.0012	0.0012

Public Agency - Fire

	Years of Service							
Attained Age	0	5	10	15	20	25	30	35
30	0.0947	0.0257	0.0090	0.0079				
35	0.0947	0.0257	0.0090	0.0079	0.0069			
40	0.0947	0.0257	0.0090	0.0079	0.0069	0.0057		
45	0.0947	0.0257	0.0090	0.0079	0.0069	0.0057	0.0054	
50	0.0947	0.0095	0.0029	0.0021	0.0016	0.0010	0.0009	0.0009
55	0.0947	0.0095	0.0029	0.0021	0.0016	0.0010	0.0009	0.0009

Public Agency - Miscellaneous

	Years of Service							
Attained Age	0	5	10	15	20	25	30	35
30	0.1622	0.0696	0.0574	0.0515				
35	0.1553	0.0627	0.0504	0.0446	0.0387			
40	0.1483	0.0557	0.0435	0.0376	0.0318	0.0259		
45	0.1414	0.0488	0.0366	0.0307	0.0249	0.0190	0.0131	
50	0.1345	0.0155	0.0095	0.0064	0.0041	0.0022	0.0010	0.0002
55	0.1275	0.0129	0.0073	0.0046	0.0025	0.0009	0.0002	0.0002

VIII Actuarial Assumptions (cont.)

7. Retirement Age

Retirement rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation. Sample rates are as follows:

Public Agency – Police 3% at 50

	Years of Service						
Attained Age	5	10	15	20	25	30	35
50	0.0435	0.0435	0.0435	0.0821	0.1208	0.1559	0.1910
51	0.0385	0.0385	0.0385	0.0728	0.1071	0.1382	0.1693
52	0.0614	0.0614	0.0614	0.1159	0.1705	0.2200	0.2695
53	0.0689	0.0689	0.0689	0.1303	0.1916	0.2472	0.3028
54	0.0710	0.0710	0.0710	0.1342	0.1974	0.2547	0.3120
55	0.0898	0.0898	0.0898	0.1698	0.2497	0.3222	0.3947
56	0.0687	0.0687	0.0687	0.1299	0.1910	0.2465	0.3019
57	0.0803	0.0803	0.0803	0.1518	0.2232	0.2880	0.3528
58	0.0791	0.0791	0.0791	0.1495	0.2198	0.2837	0.3475
59	0.0820	0.0820	0.0820	0.1549	0.2279	0.2940	0.3602
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Public Agency – Fire 3% at 50

	Years of Service						
Attained Age	5	10	15	20	25	30	35
50	0.0341	0.0341	0.0341	0.0477	0.0679	0.0804	0.0861
51	0.0463	0.0463	0.0463	0.0647	0.0922	0.1091	0.1169
52	0.0693	0.0693	0.0693	0.0967	0.1377	0.1630	0.1746
53	0.0835	0.0835	0.0835	0.1166	0.1661	0.1965	0.2105
54	0.1025	0.1025	0.1025	0.1431	0.2038	0.2412	0.2584
55	0.1265	0.1265	0.1265	0.1766	0.2516	0.2977	0.3190
56	0.1210	0.1210	0.1210	0.1690	0.2407	0.2848	0.3052
57	0.1010	0.1010	0.1010	0.1411	0.2010	0.2378	0.2548
58	0.1184	0.1184	0.1184	0.1652	0.2354	0.2786	0.2985
59	0.1002	0.1002	0.1002	0.1399	0.1993	0.2358	0.2526
60	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

VIII Actuarial Assumptions (cont.)

Public Agency – Miscellaneous 2.5% at 55

Attained Age	Male	Female
50	0.05	0.07
51	0.02	0.05
52	0.03	0.05
53	0.03	0.05
54	0.04	0.05
55	0.08	0.09
56	0.06	0.07
57	0.07	0.06
58	0.08	0.10
59	0.09	0.09
60	0.16	0.12
61	0.15	0.10
62	0.26	0.21
63	0.22	0.18
64	0.15	0.13
65	0.25	0.25
66	0.14	0.15
67	0.12	0.14
68	0.12	0.11
69	0.09	0.13
70	1.00	1.00

8. Annual Medical Inflation ("Trend")

The medical trend rate represents the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets forth the trend assumptions used for the valuation:

Year	Annual Rate
2007	11.0%
2008	10.0%
2009	9.0%
2010	8.0%
2011	7.0%
2012	6.0%
2013+	5.0%

VIII Actuarial Assumptions (cont.)

9. Monthly Premiums Applicable to Retirees

The monthly premiums valued were based on the CalPERS 2007 "Los Angeles" Regional Health Premiums. Sample single rates are as follows:

Age	Blue Shield	Kaiser	PERS Choice	PERSCare	PORAC
< 65	$356.17	$329.14	$423.63	$716.17	$439.00
65+	318.95	289.68	341.75	371.68	318.95

10. Monthly PEMHCA Premiums Applicable to Retirees

2007: $80.80

2008: $97.00

2009 and thereafter: 2008 adjusted for healthcare trend

11. Participants Valued

Only current active and retired participants are valued.

12. Plan Participation

Future retirees eligible for retiree benefits are assumed to elect coverage as follows:

	Election %
Sworn Police	100%
Police Management	100%
Sworn Fire	100%
Executive	100%
Safety Support	50%
Technical Service	50%
Management & Professional	90%
Confidential	90%

13. Plan Election

Current and future retirees are assumed to continue in their current plans.

14. Spouse Assumption

Actual spouse information is used. Where spouse date of birth is unavailable, males are assumed to be three years older than their female spouses.

IX Glossary

Actuarial Accrued Liability (AAL)

As determined by a particular Actuarial Cost Method, the portion of the Actuarial Present Value of plan benefits and expenses which is attributable to past service, and thus not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting benefit costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and employer provided benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items. The Actuarial Assumptions are used in connection with the Actuarial Cost Method to allocate plan costs over the working lifetime of plan participants.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods (e.g., past service, future service), usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Experience Gain or Loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation Dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.).
b. multiplied by the probability of the occurrence of an event (such as survival, death disability, termination of employment, etc.) on which the payment is conditioned, and
c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

IX Glossary (cont.)

Actuarial Present Value of Total Projected Benefits or Present Value of Benefits (PVB)

Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Actuarial Valuation

The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a benefit plan.

Actuarial Valuation Date

The date as of which an actuarial valuation is performed.

Actuarial Value of Assets

The value of cash, investments, and other property belonging to a benefit plan, as used by the actuary for the purpose of an Actuarial Valuation.

Agent Multiple-Employer Plan

An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level.

Aggregate Actuarial Cost Method

A method under which the excess of the Actuarial Present Value of Projected Benefits of the group included in an Actuarial Valuation over the Actuarial Value of Assets is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations. That portion of the Actuarial Present Value allocated to a valuation year is called the Normal Cost. The Actuarial Accrued Liability is equal to the Actuarial Value of Assets.

IX Glossary (cont.)

Amortization (of Unfunded Actuarial Accrued Liability)

The portion of benefit plan costs or contributions which is designed to pay off principal and interest on the Unfunded Actuarial Accrued Liability.

Annual OPEB Cost (AOC)

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual Required Contributions of the Employer (ARC)

The employer's periodic required contributions to a Defined Benefit OPEB Plan, which is the basis for determining an employer's Annual OPEB Cost. For a Cost Sharing Multiple-Employer Plan, the Contractually Required Contributions should be used to determine an employer's Annual OPEB Cost.

Contractually Required Contributions (CRC)

The contributions assessed by a Cost Sharing Multiple-Employer Plan to the participating employer for a period, without regard for the method used to determine the amounts.

Cost Sharing Multiple-Employer Plan

A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) applies for each employer.

Covered Group

Plan members included in an actuarial valuation.

Deferred Inactives

Former employees, not yet receiving retirement benefits, who are eligible for plan benefits in the future.

Defined Benefit OPEB Plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Attachment 1

IX Glossary (cont.)

Discount Rate (Investment Return Assumption)

The rate used to adjust a series of future payments to determine the present value by reflecting the time value of money.

Employer Contributions

Contributions made in relation to the annual required contributions of the employer (ARC). An employer has made a contribution in relation to the ARC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) of plan administrator. Employer contributions generally do not necessarily equate to benefits paid.

Entry Age Normal Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated 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. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Funded Ratio

The actuarial value of assets expressed as a percentage of the Actuarial Accrued Liability.

Funding Excess

The excess of the Actuarial Value of Assets over the Actuarial Accrued Liability.

Funding Policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities to provide the benefits specified by an OPEB plan.

Healthcare Cost Trend Rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

IX Glossary (cont.)

Implicit Rate Subsidy

The differential between utilizing a blend of active and non-Medicare retiree experience for cost of benefits, and utilizing solely the expected retiree experience. Blending a lower cost active cohort with retirees results in an implicit rate subsidy for the retirees of the entire group.

Inactives

Certain former employees with a minimum amount of years of creditable service who have benefits payable from the retirement system.

Level Percentage of Projected Payroll Amortization Method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases (e.g., due to inflation); in dollars adjusted for inflation, the payments can be expected to remain level.

Market-Related Value of Plan Assets

A term used with reference to the actuarial value of assets. A market related value may be fair value, market value (or estimated market value), or a calculated value that recognizes changes in fair or market value over a period of, for example, three to five years.

Net OPEB Obligation (NOO)

The cumulative difference since the effective date of this Statement between Annual OPEB Cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

Normal Cost

The portion of the Actuarial Present Value of plan benefits and expenses that is allocated to a valuation year by the Actuarial Cost Method.

OPEB Assets

The amount recognized by an employer for contributions to an OPEB plan greater than OPEB expense.

OPEB Expenditures

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

IX Glossary (cont.)

OPEB Expense

The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities

The amount recognized by an employer for contributions to an OPEB plan less than OPEB expense/expenditures.

Other Postemployment Benefits (OPEB)

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-As-You-Go

A method of financing a plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Plan Assets

Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, (c) assets are legally protected from creditors of the employers or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Plan Members

The individuals covered by the terms of an OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Postemployment

The period between termination of employment and retirement as well as the period after retirement.

Postemployment Healthcare Benefits

Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

Attachment 1

IX Glossary (cont.)

Postretirement Benefit Increase

An increase in the benefits of retirees or beneficiaries granted to compensate for the effects of inflation (cost-of-living adjustment) or for other reasons. Ad hoc increases may be granted periodically by a decision of the board of trustees, legislature, or other authoritative body; both the decision to grant an increase and the amount of the increase are discretionary. Automatic increases are periodic increases specified in the terms of the plan; they are nondiscretionary except to the extent that the plan terms can be changed.

Projected Benefits

Those plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. That portion of an individual's Projected Benefit allocated to service to date, determined in accordance with the terms of a plan and based on future compensation as projected to retirement, is called the Credited Projected Benefit.

Projected Unit Credit Actuarial Cost Method

A method under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability.

Under this method, the Actuarial Gains (or Losses), as they occur, generally reduce (or increase) the Unfunded Actuarial Accrued Liability.

Under this method, benefits are projected to all future points in time under the terms of the Plan and actuarial assumptions (for example, health trends). Retirees are considered to be fully attributed in their benefits. For actives, attribution is to expected retirement age; thus, benefits at each future point in time are allocated to past service based on a proration of service-to-date over total projected service.

Required Supplementary Information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Single-Employer Plan

A plan that covers the current and former employees, including beneficiaries, of only one employer.

Attachment 1

IX Glossary (cont.)

Sponsor

The entity that established the plan. The sponsor generally is the employer or one of the employers that participate in the plan to provide benefits for their employees and employees of other employers.

Substantive Plan

The terms of an OPEB plan as understood by the employer(s) and plan members.

Transition Year

The fiscal year in which this Statement is first implemented.

Unfunded Actuarial Accrued Liability (Unfunded Actuarial Liability)

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Attachment 2

AON CONSULTING

Bradley J. Au | Senior Vice President

July 11, 2008

Mr. Scott Miller
Administrative Services Director & Chief Financial Officer
City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, CA 90210-4817

Re: Postretirement Health Benefits Study – Revised Study

Dear Scott,

As requested, we performed additional calculations related to the City's postretirement health benefits. In particular, the City asked Aon to recalculate the GASB OPEB liabilities if the years of service requirement was removed for certain groups.

Overall, the modification had a relatively minor impact compared to the December 28, 2007 Actuarial Valuation Study. The Management & Professional and Confidential employee group results are where the differences occurred. Although Safety Support and Technical Service provisions changed, the impact was so minimal that the differences are not evident after rounding. Finally, the Sworn Fire results did not change since all affected employees (management) have more than the requisite years of service already.

Exhibit I summarizes the details of the provision changes valued in this study. Exhibit II summarizes the liabilities by employee groups.

Please call me to discuss after you have had a chance to briefly review this information.

Sincerely,

Bradley J. Au

Bradley J. Au
Senior Vice President

c: Neil Comelo

Enclosures

J:\Clients\CityBevHills\corr\Revised Study 2008.doc

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Attachment 2

AON CONSULTING

Exhibit I

Bargaining Unit	Participant Classification (DOR = Date of Retirement, DOH = Date of Hire – or date promoted)	*PROVISIONS PER DECEMBER 28, 2007 VALUATION STUDY* City Paid Benefit Cap (all units get PEMCHA minimum amount)	REVISED PROVISIONS City Paid Benefit Cap (all units get PEMCHA minimum amount)
Sworn Police	DOR < 7/1/78 DOR > 7/1/78, DOR < 7/1/89 DOR > 7/1/89	PEMCHA minimum only pre-65 - $211/mo; post 65 – none pre-70 - 2 party rate - PORAC; post 70 - none	No Change
Police Management	DOR < 7/1/89 DOR > 7/1/89	PEMCHA minimum only 2 party rate – PORAC	No Change
Sworn Fire	DOR < 7/1/80 DOR > 7/1/80	PEMCHA minimum only 2 party rate - PERSCare to 65 only (Management must have 15 YOS)	**Remove the 15 YOS requirement for Managers**
Executive	DOR < 7/1/81 DOR > 7/1/81	PEMCHA minimum only 2 party rate – PERSCare	No Change
Safety Support	DOR < 7/1/84 DOR > 7/1/84, DOR < 7/1/01 DOR > 7/1/01(and age > 60)	PEMCHA minimum only pre-65 - 1 party rate, any plan; post 65 – none pre-65 - 1 party rate, any plan; post 65 - $150/mo if > 20 YOS, $75/mo if 15-20 YOS	**Remove the YOS requirement and assume $150/month post-65 for everyone**
Technical Service	DOR < 2/1/90 DOR > 2/1/90, DOR < 7/1/00 DOR > 7/1/00	PEMCHA minimum only pre-70 - $300/mo; post 70 – none pre-70 - $300/mo; post 70 - $150/mo if > 20 YOS, $75/mo if 15-20 YOS	**Remove the YOS requirement and assume $150/month post-70 for everyone**
Management & Professional	DOR < 7/1/81 DOR > 7/1/81, DOH < 12/2/97 DOR > 7/1/81, DOH > 12/2/97	PEMCHA minimum only 2 party rate – PERSCare 1 party rate - PERSCare, City pays 5% / YOS (no surviving spouse continuance)	**Remove the YOS requirement and assume 1 party rate – PERSCare for everyone**
Confidential	DOR < 7/1/81 DOR > 7/1/81, DOH < 1/1/00 DOR > 7/1/81, DOH > 1/1/00	PEMCHA minimum only 1 party rate – PERSCare 1 party rate - PERSCare, City pays 5% / YOS	**Remove the YOS requirement and assume 1 party rate – PERSCare for everyone**

Attachment 2

City of Beverly Hills - Exhibit II (5.00%)

Total Liability 7/1/07 EAN Level % of Pay

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Plan Liabilities									
Present Value of Benefits									
Active	12,379,000	2,291,000	7,101,000	5,534,000	1,503,000	2,815,000	8,432,000	2,869,000	42,924,000
Retirees	6,111,000	1,646,000	2,047,000	4,019,000	464,000	1,468,000	4,632,000	1,452,000	21,839,000
Total PVB	**18,490,000**	**3,937,000**	**9,148,000**	**9,553,000**	**1,967,000**	**4,283,000**	**13,064,000**	**4,321,000**	**64,763,000**
PVB Per Participant									
Active	108,000	229,000	97,000	179,000	21,000	12,000	134,000	102,000	69,000
Retirees	102,000	235,000	49,000	191,000	39,000	25,000	154,000	85,000	88,000
Accrued Liability									
Active	8,090,000	2,092,000	4,777,000	3,550,000	941,000	1,884,000	5,563,000	1,676,000	28,573,000
Retirees	6,111,000	1,646,000	2,047,000	4,019,000	464,000	1,468,000	4,632,000	1,452,000	21,839,000
Total AAL	**14,201,000**	**3,738,000**	**6,824,000**	**7,569,000**	**1,405,000**	**3,352,000**	**10,195,000**	**3,128,000**	**50,412,000**
AAL Per Participant									
Active	70,000	209,000	65,000	115,000	13,000	8,000	88,000	60,000	46,000
Retirees	102,000	235,000	49,000	191,000	39,000	25,000	154,000	85,000	88,000
EAN Normal Cost	***416,000***	***42,000***	***230,000***	***234,000***	***55,000***	***104,000***	***328,000***	***154,000***	***1,563,000***
NC Per Active Participant	*3,600*	*4,200*	*3,200*	*7,500*	*800*	*500*	*5,200*	*5,500*	*3,000*
Annual Required Contribution									
ARC - Aggregate	2,361,000	503,000	1,168,000	1,220,000	251,000	547,000	1,668,000	552,000	*8,270,000*
% of Payroll	19.6%	30.3%	13.2%	22.7%	5.4%	4.1%	26.1%	36.1%	15.4%
ARC- EAN									
30-Year Total	1,045,000	204,000	534,000	570,000	118,000	252,000	780,000	296,000	*3,799,000*
% of Payroll	8.7%	12.3%	6.0%	10.6%	2.5%	1.9%	12.2%	19.3%	7.1%
20-Year Total	1,280,000	266,000	647,000	695,000	141,000	308,000	949,000	348,000	*4,634,000*
% of Payroll	10.6%	16.0%	7.3%	12.9%	3.0%	2.3%	14.9%	22.7%	8.6%
10-Year Total	1,993,000	454,000	990,000	1,075,000	212,000	476,000	1,461,000	505,000	*7,166,000*
% of Payroll	16.6%	27.4%	11.2%	20.0%	4.6%	3.6%	22.9%	33.0%	13.3%

Attachment 2

City of Beverly Hills - Exhibit II (7.75%)

Total Liability 7/1/07 EAN Level % of Pay

	Sworn Police	Police Management	Sworn Fire	Executive	Safety Support	Technical Service	Management & Professional	Confidential	Total
Plan Liabilities									
Present Value of Benefits									
Active	7,391,000	1,451,000	4,421,000	3,202,000	880,000	1,646,000	4,825,000	1,660,000	25,476,000
Retirees	4,844,000	1,160,000	1,612,000	2,968,000	374,000	1,157,000	3,451,000	1,095,000	16,661,000
Total PVB	***12,235,000***	***2,611,000***	***6,033,000***	***6,170,000***	***1,254,000***	***2,803,000***	***8,276,000***	***2,755,000***	***42,137,000***
PVB Per Participant									
Active	64,000	145,000	60,000	91,000	12,000	7,000	74,000	59,000	41,000
Retirees	81,000	166,000	38,000	141,000	31,000	20,000	115,000	64,000	67,000
Accrued Liability									
Active	5,514,000	1,370,000	3,392,000	2,283,000	628,000	1,233,000	3,561,000	1,085,000	19,066,000
Retirees	4,844,000	1,160,000	1,612,000	2,968,000	374,000	1,157,000	3,451,000	1,095,000	16,661,000
Total AAL	***10,358,000***	***2,530,000***	***5,004,000***	***5,251,000***	***1,002,000***	***2,390,000***	***7,012,000***	***2,180,000***	***35,727,000***
AAL Per Participant									
Active	48,000	137,000	46,000	65,000	9,000	5,000	55,000	39,000	30,000
Retirees	81,000	166,000	38,000	141,000	31,000	20,000	115,000	64,000	67,000
EAN Normal Cost	***215,000***	***18,000***	***122,000***	***130,000***	***31,000***	***57,000***	***174,000***	***90,000***	***837,000***
NC Per Active Participa	*1,900*	*1,800*	*1,600*	*3,700*	*400*	*200*	*2,700*	*3,200*	***1,000***
Annual Required Contribution									
ARC - Aggregate	1,758,000	375,000	867,000	886,000	180,000	403,000	1,189,000	396,000	***6,054,000***
% of Payroll	14.6%	22.6%	9.8%	16.5%	3.9%	3.0%	18.6%	25.9%	11.2%
ARC - EAN									
30-Year Total	857,000	172,000	433,000	457,000	93,000	205,000	610,000	229,000	***3,056,000***
% of Payroll	7.1%	10.4%	4.9%	8.5%	2.0%	1.5%	9.6%	15.0%	5.7%
20-Year Total	1,019,000	211,000	511,000	539,000	109,000	242,000	719,000	263,000	***3,613,000***
% of Payroll	8.5%	12.7%	5.8%	10.0%	2.3%	1.8%	11.3%	17.2%	6.7%
10-Year Total	1,532,000	337,000	759,000	799,000	159,000	361,000	1,067,000	371,000	***5,385,000***
% of Payroll	12.7%	20.3%	8.6%	14.8%	3.4%	2.7%	16.7%	24.2%	10.0%