



CITY OF CHICAGO

Retiree Health Plan Review Preliminary Projections

May 13, 2011



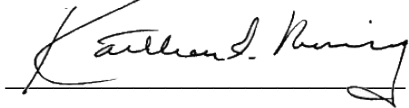
Disclosure

The information presented in this highlights summary was prepared to assist the Retiree Health Benefit Commission appointed by the City of Chicago. This summary is preliminary, does not reflect the full report, and was prepared as an information update to supplement the May 13, 2011 Commission meeting. This summary may not otherwise be copied or reproduced in any form without the consent of the City and may only be provided to other parties in its entirety.


The primary purpose of this preliminary summary is to illustrate the dimension of the potential City obligation if the current retiree health program “The Settlement Plan” were amended to be continued for various categories of current and future retirees. Multiple economic scenarios were selected to illustrate the sensitivity of the liabilities to changes in the discount and health care trend rates. The selected scenarios are intended to be illustrative, and do not reflect the entire universe of possible future economic circumstances. Demographic assumptions remain the same as those indicated in the Annual Accounting Valuation prepared for the City of Chicago’s financial reporting under GASB 45. We believe the assumptions and methods used are within the range of possible assumptions that are reasonable and appropriate for the purposes for which they have been used. Results shown in this summary could be materially different from the actual outcome if actual experience differs from the assumptions used.

The basic measurements shown in this summary reflect the requirements of Government Accounting Standards Board (GASB) Statement #45 may not be applicable for other purposes. To reflect the value of anticipated Medicare D reimbursement (which cannot be reflected as an offset under GASB 45), the value of future payments has been separately presented.

The undersigned actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions. There is no relationship between the City of Chicago and MWM Consulting Group that impacts our objectivity.



Kathleen E. Manning FSA



Bernard E. Hartt FSA

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Settlement Plan - Current Program

- ▶ Comprehensive Health Coverage
 - Police, Fire, Municipal and Laborers
 - Retiree and dependents
 - Eligibility based upon pension fund requirements
 - City Contributions based upon service
 - Benefits expire / “sunset” on June 30, 2013
 - Terms litigated under “Settlement Plan”

Current Program : Retirement Plan Eligibilities

Bargaining Unit	Retirement	Disability	Withdrawal
Fire	<ul style="list-style-type: none"> ▪ Age 50 and 10 years service ▪ Age 63 	▪ 10 years service	▪ 10 years service
Police	<ul style="list-style-type: none"> ▪ Age 50 and 10 years service ▪ Age 63 	▪ 10 years service	▪ 10 years service
Municipal	<ul style="list-style-type: none"> ▪ Age 50 and 30 years service ▪ Age 55 and 20 years service ▪ Age 70 	▪ Age 20 and 1 year service	▪ 10 years service
Laborers	<ul style="list-style-type: none"> ▪ Age 50 and 10 years service ▪ Age 55 and 20 years service ▪ Age 60 and 10 years service ▪ Age 70 	▪ Age 20 and 1 year service	▪ 10 years service

Settlement Plan Benefit Classes

Benefit Class Member Description	City Contribution Percentage
<ul style="list-style-type: none"> ▪Members who are Annuitants as of May 2003 & their dependents ▪Members who became Future Annuitants before June 30, 2005 and their dependents 	55% of Defined Costs
<ul style="list-style-type: none"> ▪Members who become Future Annuitants after June 30, 2005 and before June 30,2013 who have 20 or more years of service 	50% of Defined Costs
<ul style="list-style-type: none"> ▪ Members who become Future Annuitants after June 30, 2005 and before June 30,2013 who have 15 but less than 20 years of service 	45% of Defined Costs
<ul style="list-style-type: none"> ▪Members who become Future Annuitants after June 30, 2005 and before June 30,2013 who have 10 but less than 15 years of service 	40% of Defined Costs
<ul style="list-style-type: none"> ▪Members who become Future Annuitants after June 30, 2005 and before June 30,2013 who have less than 10 years of service 	0% of Defined Costs

Non-Medicare Eligible Benefit Plan Provisions Summary

Plan Term	In-Network	Out-of-Network	Living Out of a Network Area
Lifetime Maximum Benefit	\$1,500,000 per person (includes all amounts paid under any City self-funded medical plan)		
Deductibles (Deductible will increase 3% each calendar year)	\$358 per year per person in 2010	\$836 per year per person in 2010	\$358 per year per person in 2010
Prescription Drug Deductible	\$100 per person for retail drugs		
Deductible for care received outside of the United States	\$250 per person per year		
Participant's share of Covered Medical Expenses after Deductible for other than Prescription Drugs	10% of Network Rate	30% of Network rate plus all charges in excess of network rate	20% of Eligible Charge and all charges in excess of Eligible Charge
Participant's share for Prescription Drugs (Cost per mail order prescription will increase 5% per year rounded to the nearest dollar.)	<p>For up to a thirty day supply at retail: Generic Drugs 20% Formulary Brand Drugs 20%* Non-Formulary Brand Drugs 20% plus \$15</p> <p>For up to a ninety day supply at mail order: Generic Drugs \$21 in 2010 Formulary Brand Drugs \$53 in 2010* Non-Formulary Brand Drugs Not Available at Mail</p> <p>* If receive a Brand Drug when a Generic Drug is available, will pay the cost difference between the Brand and the Generic in addition to the required co-payment.</p>		
Out-Of-Pocket Limit (This amount will increase 3% each calendar year. Two individual amounts per family.)	\$2,089 in 2010; does not include participant's share of prescription drug expenses.	\$4,179 in 2010; does not include participant's share of prescription drug expenses	\$2,089 in 2010; does not include participant's share of prescription drug expenses

Medicare Eligible Benefit Plan Provisions Summary

Plan Term	Description	Out-of-Network	Living Out of a Network Area
Lifetime Maximum Benefit	\$1,500,000 per person (includes all amounts paid under any City self-funded medical plan)		
Plan Deductible for Medicare part A in-patient hospital services	The participant must pay \$50 of the Medicare part A deductible for in-patient services. The plan will pay the balance of the Medicare Part A deductible.		
Plan Deductible for Medicare Part B services	\$100 per person for Medicare Part B covered Services		
Medicare Part B Deductible	The participant must pay the full Medicare Part B deductible. This plan will not reimburse for the Part B deductible.	\$836 per year per person in 2010	\$358 per year per person in 2010
Participant's share of Covered Medical Expenses other than Prescription Drugs	The Plan will pay 20% of the Medicare Allowable Charge for all services covered by Medicare. If a service is not covered by Medicare the Plan will not pay for the service unless it is for care while traveling outside the United States on a temporary basis or prescription drugs that are covered by the plan.		
Prescription Drug Deductible	\$100 per person for retail drugs		
Deductible for care received outside of the United States	\$250 per person per year	30% of Network rate plus all charges in excess of network rate	20% of Eligible Charge and all charges in excess of Eligible Charge
Participant's share for Prescription Drugs (Cost per mail order prescription will increase 5% per year rounded to the nearest dollar.)	For up to a thirty day supply at retail: Generic Drugs 20% Formulary Brand Drugs 20%* Non-Formulary Brand Drugs 20% plus \$15* For up to a ninety day supply at mail order: Generic Drugs \$21 in 2010 Formulary Brand Drugs \$53 Non-Formulary Brand Drugs Not Available at Mail * If receive a Brand Drug when a Generic Drug is available, will pay the cost difference between the Brand and the Generic in addition to the required co-payment.		
Out-Of-Pocket Limit	There is no out-of-pocket limit for this plan	\$4,179 in 2010; does not include participant's share of prescription drug expenses	\$2,089 in 2010; does not include participant's share of prescription drug expenses

2010 Estimated* Claims Cost Snapshot

- Annual Per Capita Plan* Costs
 - Non Medicare Eligible: \$ 9,642
 - Medicare Eligible: \$ 4,160
- Aggregate Estimated* Total Claims Cost
 - Medicare: \$ 92,427,000
 - Non Medicare: \$ 113,060,800
 - Children: \$ 2,421,000
 - Total: \$ 207,908,800
 - Expected Medicare D Reimbursement: \$10,266,800
- Actual 2010 City Contribution: \$107,430,954

* From Segal report issued April 15, 2010

Plan Design Eligibility Scenarios

- ▶ Phase one of the study includes developing projected costs based upon three alternative basis for continuation of the current health plan
 - Current Plan – City and Fund contributions cease June 30, 2013
 - Freeze Eligibility – Current Plan continues for existing annuitants and currently eligible employees as of June 30, 2013
 - Continue Eligibility for existing employees – **exclude new hires**
 - Continue Eligibility for existing employees – **include new hires**

Sensitivity Analysis - GASB 45 Implications

- ▶ Under GASB 45 the discount rate must reflect the expected return on assets expected to be used for payment of benefits. An unfunded pay as you go program is expected to earn only short term returns. Whereas a fully funded (100% of ARC is contributed) trust is expected to earn long term returns.
- ▶ GASB 45 projected liabilities and related components, under six economic scenarios are illustrated solely to reflect the impacts of discount and health care trend variations. None of the scenarios reflects the decision to pre fund a trust and accumulate dedicated assets (which would be necessary in order to support higher discount rates).

Sensitivity Analysis

- ▶ The six economic scenarios are summarized in the table below.

	Discount Rate	Health Care Trend Rate	Comment
Scenario 1	3%	12% down to 7%	Assumes Unfunded Basis
Scenario 2	3%	10% down to 5%	Assumes Unfunded Basis
Scenario 3	5%	12% down to 7%	May Require Partially Funded Basis
Scenario 4	5%	10% down to 5%	May Require Partially Funded Basis
Scenario 5	7%	12% down to 7%	May Require Fully Funded basis
Scenario 6	7%	10% down to 5%	May Require Fully Funded Basis

Glossary Key

▶ Actuarial Terms

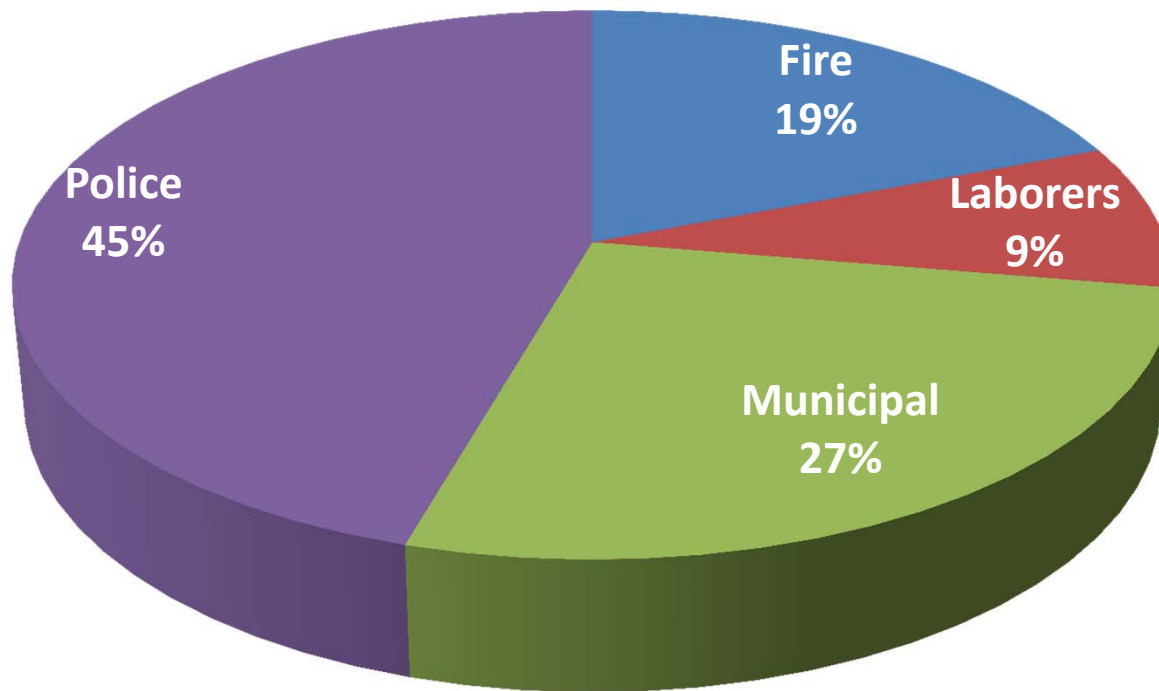
- Annual Required Contribution (ARC) : This is the present value of benefits attributed to the current year plus the amortization amount of any unfunded liability
- Entry Age Accrued Liability : This is the present value of total benefits attributed to current and prior years
- Benefit Payments : Current annual benefit / claims payouts

▶ Financial Statement Elements

- Annual Required Contribution (ARC) : As above
- Employer Contribution : Amount contributed to trust or in payment of benefit claims. In unfunded plans, the benefit payments less retiree contributions equal the employer contribution
- End of Year OPEB Cost : Amount determined as accounting expense for year
- End of Year OPEB Liability : Amount determined as financial statement liability. In general, the value of accumulated accrual of unfunded ARC amounts

Annual Required Contribution (ARC) By Employer

This graph depicts the average percentage of the total ARC amount attributable to each category



Annual Required Contribution (ARC)By Pre and Post 65 Claims

This graph depicts the average percentage of the total ARC amount attributable to expected claims prior to age 65 and after age 65

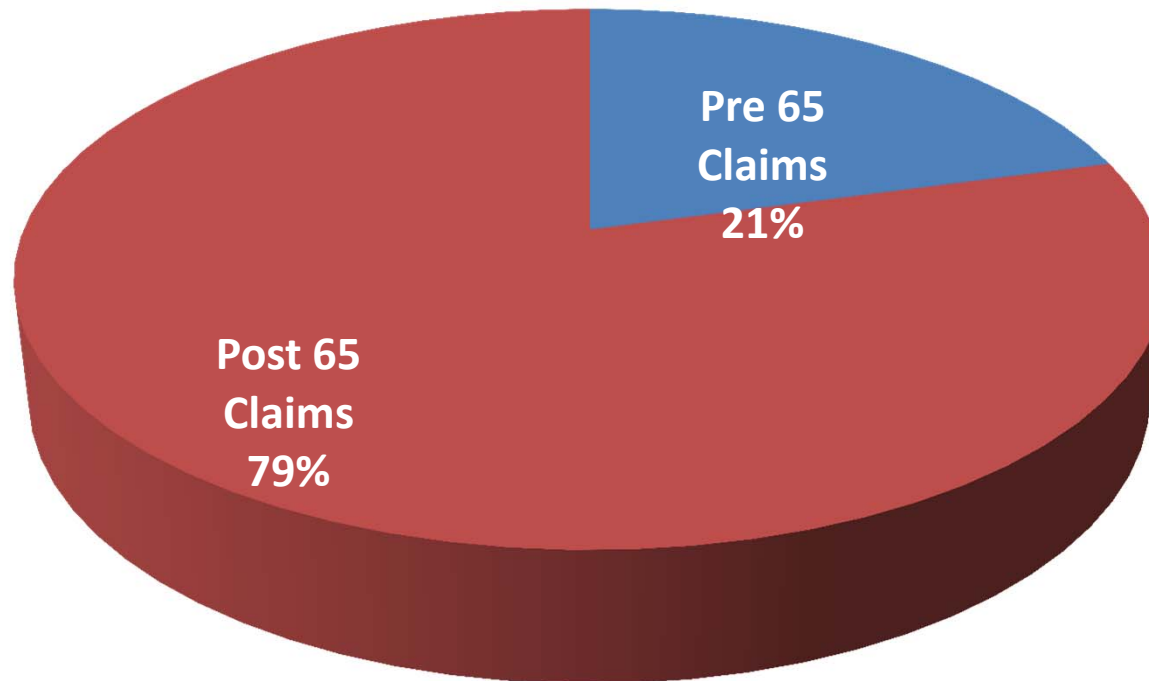


Exhibit Key

Trend	Interest Rate	Annual Required Contribution	Entry Age Normal Liability	Annual Benefit Payments	OPEB Liability
12% Graded down to 7%	3%	ARC-1A	LIAB-1A	PMTS-1A	OPEBLIAB-1A
	5%	ARC-2A	LIAB-2A	PMTS-2A	OPEBLIAB-2A
	7%	ARC-3A	LIAB-3A	PMTS-3A	OPEBLIAB-3A
10% Graded down to 5%	3%	ARC-1B	LIAB-1B	PMTS-1B	OPEBLIAB-1B
	5%	ARC-2B	LIAB-2B	PMTS-2B	OPEBLIAB-2B
	7%	ARC-3B	LIAB-3B	PMTS-3B	OPEBLIAB-3B

Freeze Eligibility 2013 - Continued Benefits

Discount Rate: 3%

Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	739,095,109	732,178,929	135,428,013	925,791,011	10,238,093,382
2011	746,500,613	727,041,172	161,292,705	1,491,539,478	10,624,546,928
2012	750,687,506	719,336,451	171,809,161	2,039,066,768	11,008,669,708
2013	756,149,804	713,290,131	203,663,842	2,548,693,057	11,404,758,880
2014	755,807,139	702,235,499	219,800,020	3,031,128,536	11,794,039,022
2015	759,625,327	695,913,250	254,109,769	3,472,932,017	12,188,735,963
2016	761,293,362	688,294,904	270,919,516	3,890,307,405	12,576,291,258
2017	766,859,859	685,088,479	311,788,652	4,263,607,232	12,974,511,225
2018	765,155,986	675,538,119	318,440,578	4,620,704,773	13,272,955,571
2019	763,417,683	666,293,891	361,858,622	4,925,140,042	13,497,607,452
2020	752,944,812	649,422,017	364,800,397	5,209,761,662	13,610,069,031
2021	745,111,401	635,606,070	405,104,688	5,440,263,044	13,643,808,003
2022	727,666,394	613,316,094	396,151,184	5,657,427,954	13,565,355,299
2023	713,432,258	594,517,313	430,760,119	5,821,185,148	13,418,557,649

Continued Eligibility - No New Hires

Discount Rate: 3%

Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	2,083,413,769	2,076,497,590	135,288,369	2,270,249,316	19,420,979,583
2011	2,148,721,458	2,101,002,499	161,039,806	4,210,212,009	20,958,876,047
2012	2,218,952,998	2,130,457,460	171,466,884	6,169,202,584	22,554,066,227
2013	2,298,480,695	2,168,808,626	203,302,715	8,134,708,495	24,233,578,176
2014	2,380,356,508	2,209,370,960	219,940,799	10,124,138,657	25,991,545,263
2015	2,473,689,336	2,260,887,440	256,279,926	12,128,746,171	27,853,244,625
2016	2,571,090,357	2,316,153,096	277,479,324	14,167,419,942	29,817,866,352
2017	2,677,903,166	2,380,114,493	325,409,882	16,222,124,553	31,913,744,174
2018	2,771,271,407	2,430,294,365	343,566,694	18,308,852,224	33,898,714,652
2019	2,851,543,693	2,466,705,180	402,649,444	20,372,907,960	35,772,101,826
2020	2,913,643,813	2,485,420,377	426,252,525	22,432,075,813	37,463,097,880
2021	2,958,565,834	2,487,060,216	494,954,085	24,424,181,944	38,977,087,788
2022	2,981,647,482	2,468,269,268	516,012,890	26,376,438,321	40,241,459,942
2023	2,987,941,522	2,433,528,325	591,592,523	28,218,374,123	41,277,581,341

Continued Eligibility - New Hires

Discount Rate: 3%

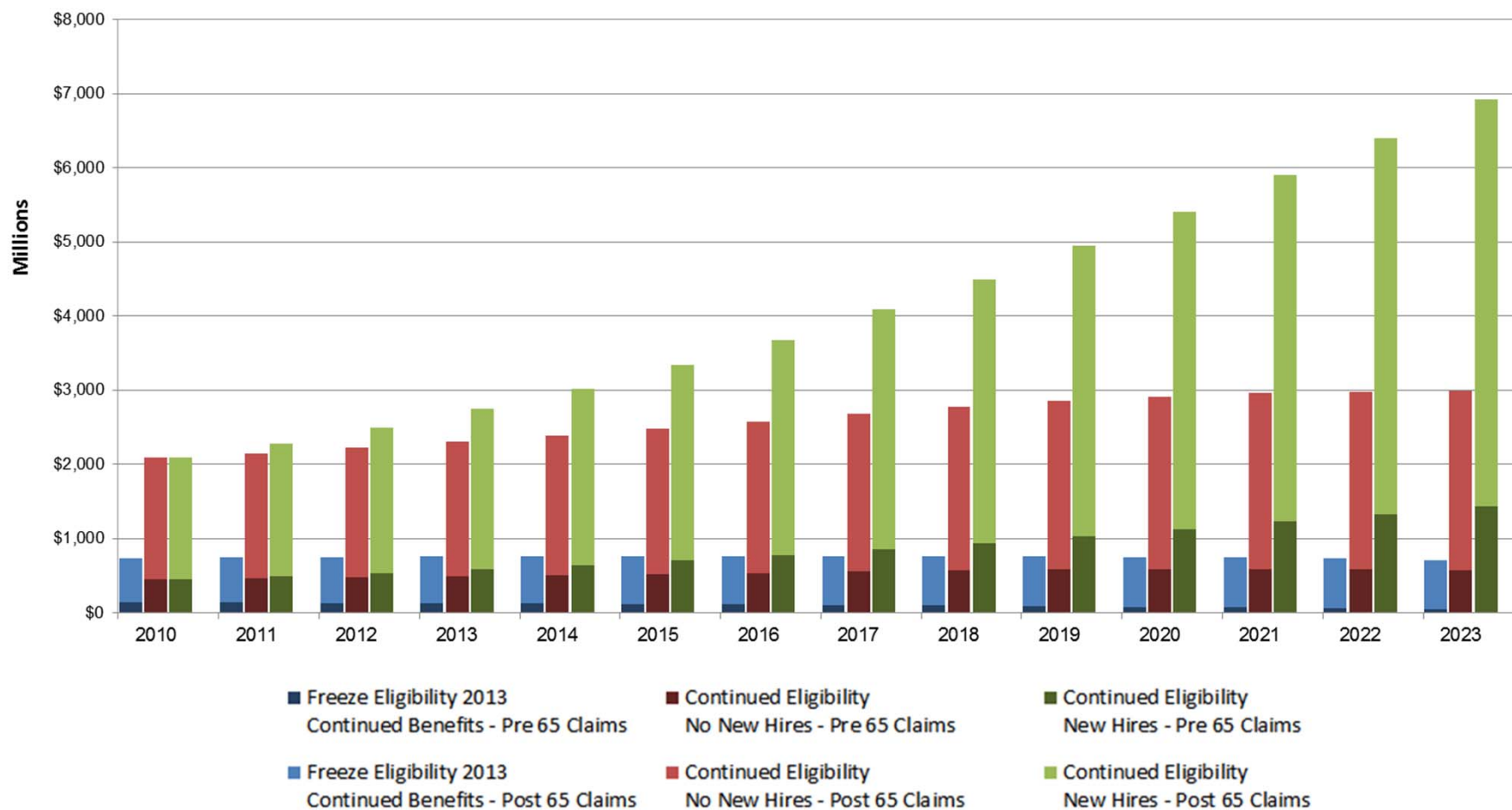
Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	2,083,413,769	2,076,497,590	135,288,369	2,270,249,316	19,420,979,583
2011	2,283,211,411	2,235,492,452	161,039,806	4,344,701,962	20,958,878,737
2012	2,495,164,782	2,403,842,364	171,466,884	6,577,077,442	22,688,863,498
2013	2,744,828,839	2,606,583,542	203,302,715	8,980,358,270	24,643,628,006
2014	3,017,296,123	2,828,535,644	219,940,799	11,588,953,115	26,845,190,828
2015	3,335,907,929	3,092,316,718	256,279,926	14,424,989,907	29,339,523,883
2016	3,675,413,947	3,372,211,343	277,479,324	17,519,721,926	32,162,034,913
2017	4,084,693,554	3,716,441,976	325,409,882	20,910,754,019	35,360,494,179
2018	4,490,647,305	4,051,118,744	343,566,694	24,618,306,070	38,724,807,972
2019	4,947,283,057	4,429,824,498	402,649,444	28,645,481,124	42,247,325,189
2020	5,402,191,398	4,800,084,602	426,252,525	33,019,313,200	45,900,206,698
2021	5,906,029,136	5,211,987,629	494,954,085	37,736,346,744	49,679,093,124
2022	6,401,273,051	5,608,082,993	516,012,890	42,828,416,848	53,546,571,419
2023	6,925,632,684	6,025,411,084	591,592,523	48,262,235,409	57,500,874,397

Annual Required Contribution

Discount Rate: 3%

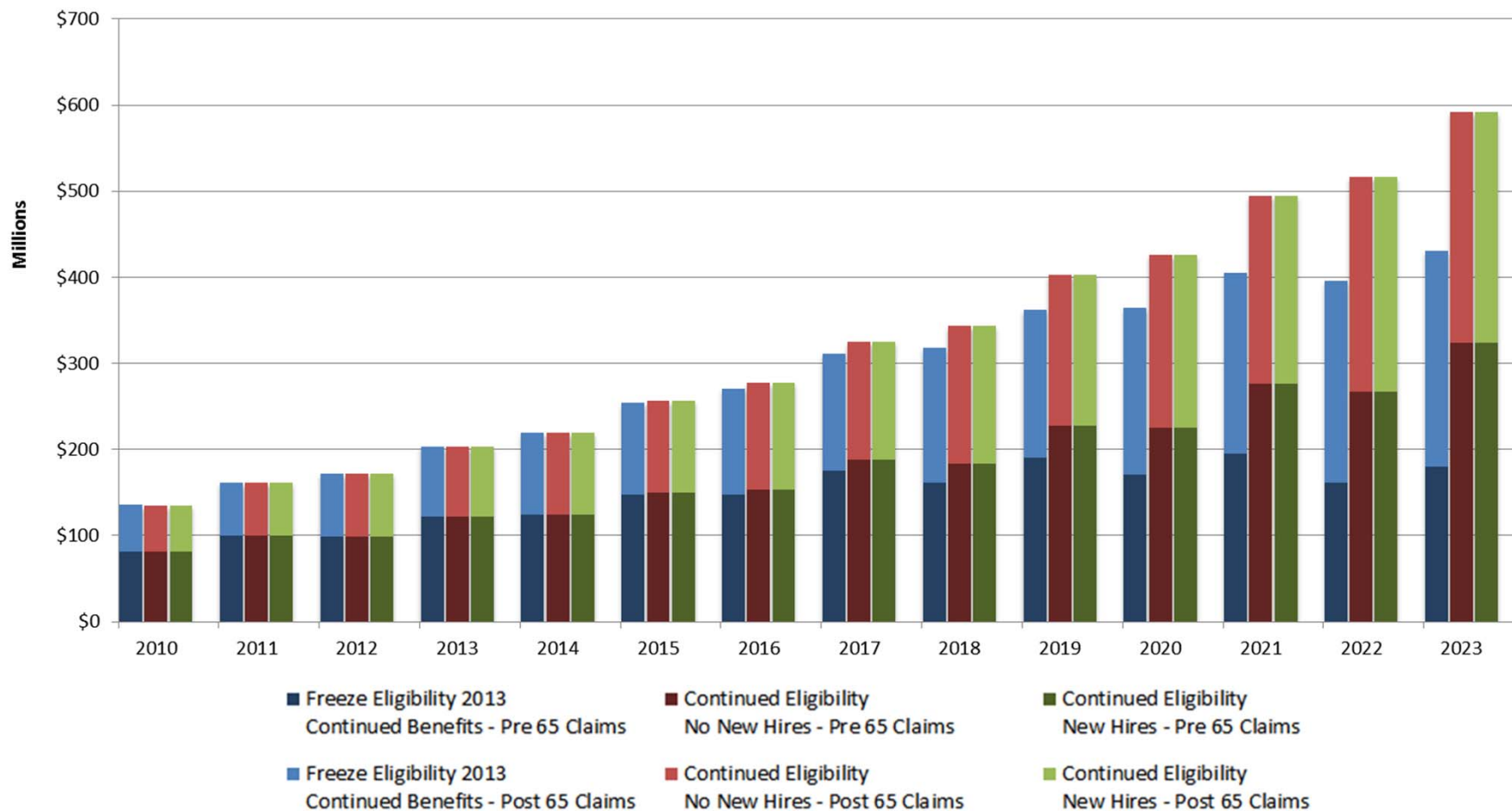
Trend: 12% graded down to 7%



Annual Benefit Payments

Discount Rate: 3%

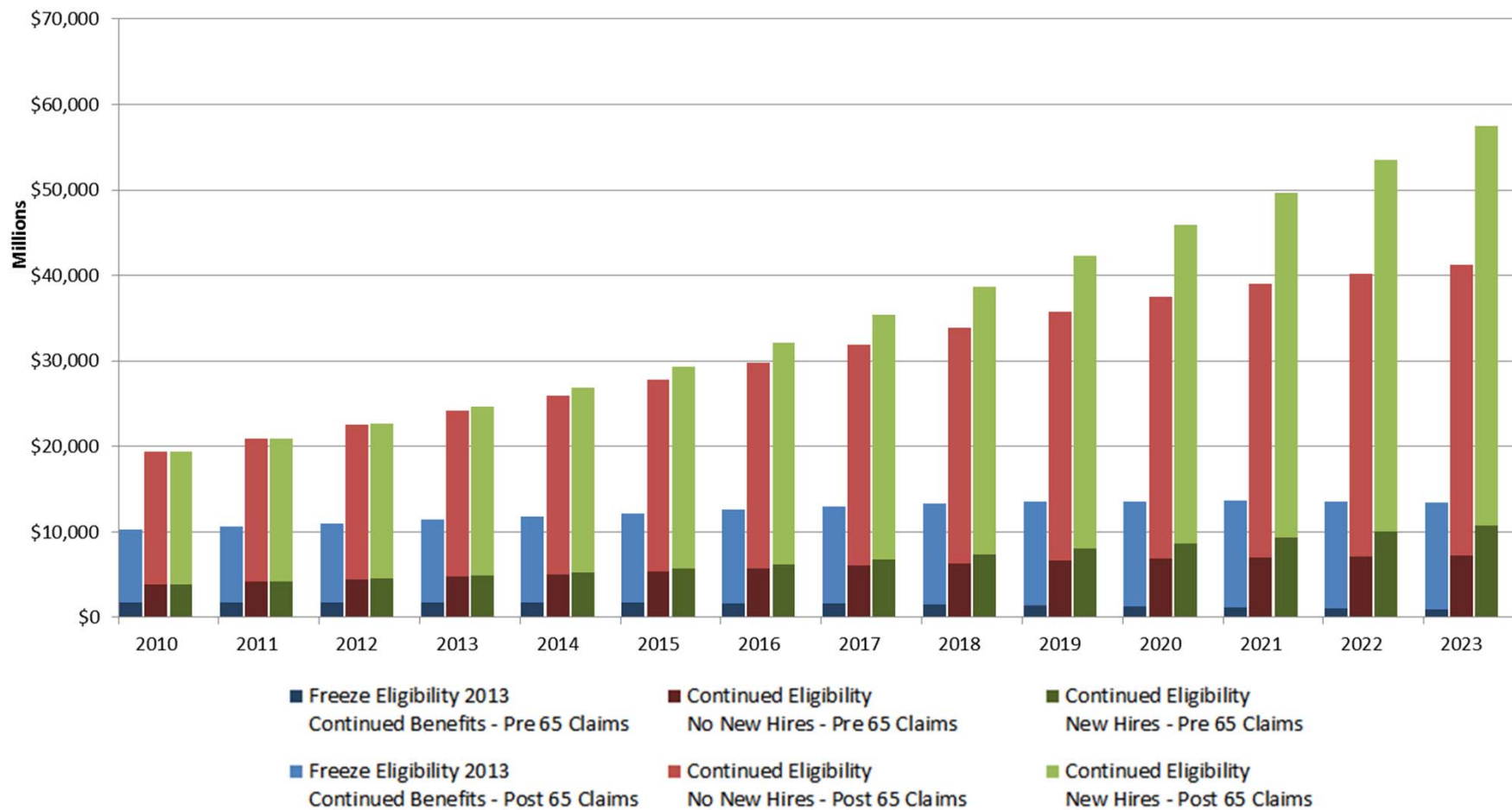
Trend: 12% graded down to 7%



Entry Age Normal Liability

Discount Rate: 3%

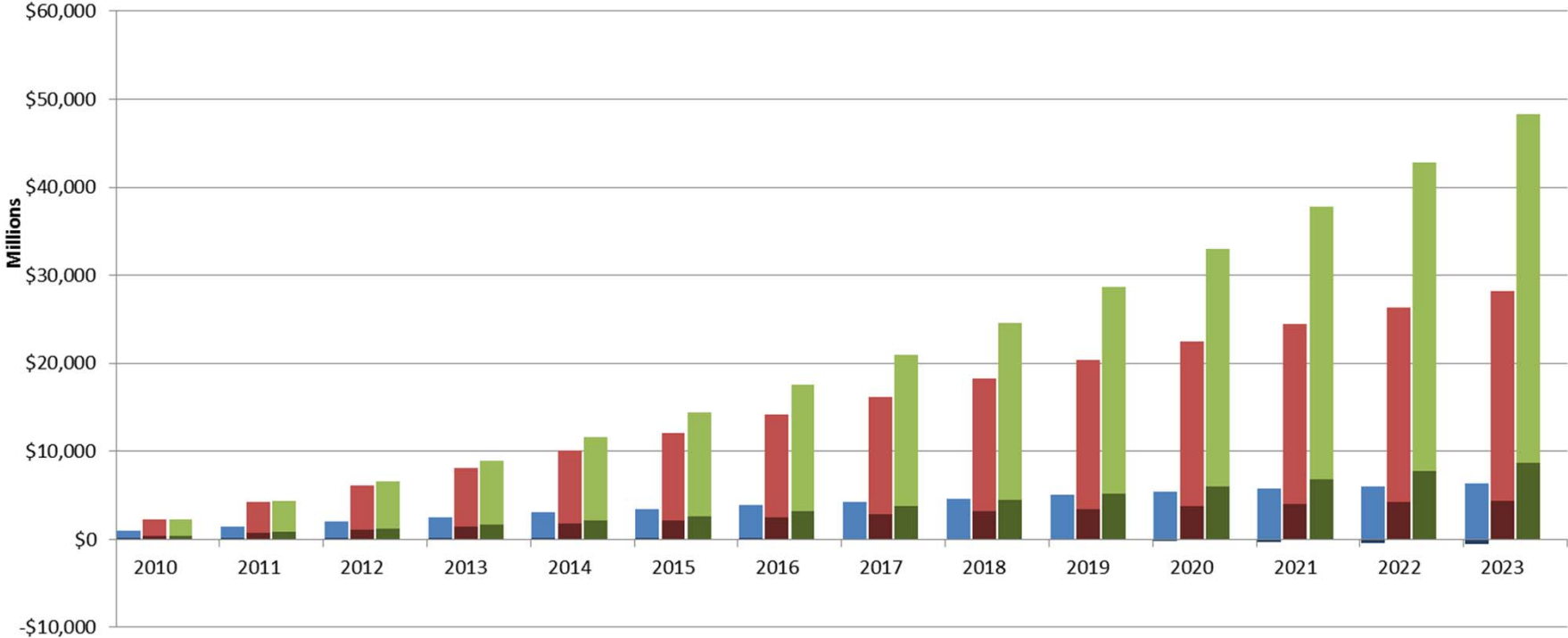
Trend: 12% graded down to 7%



OPEB Liability

OPEBLIAB-1A

Discount Rate: 3%
Trend: 12% graded down to 7%



- Freeze Eligibility 2013
Continued Benefits - Pre 65 Claims
- Continued Eligibility
No New Hires - Pre 65 Claims
- Continued Eligibility
New Hires - Pre 65 Claims
- Freeze Eligibility 2013
Continued Benefits - Post 65 Claims
- Continued Eligibility
No New Hires - Post 65 Claims
- Continued Eligibility
New Hires - Post 65 Claims

Freeze Eligibility 2013 - Continued Benefits

Discount Rate: 5%

Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	556,712,343	551,759,817	135,428,013	745,371,899	6,840,524,977
2011	570,722,817	559,503,900	161,292,705	1,143,583,095	7,155,505,186
2012	583,062,794	565,850,227	171,809,161	1,537,624,161	7,469,968,808
2013	596,782,827	573,639,376	203,663,842	1,907,599,695	7,799,535,843
2014	607,519,511	578,807,398	219,800,020	2,266,607,073	8,125,032,116
2015	620,984,587	586,868,897	254,109,769	2,599,366,202	8,461,298,380
2016	633,239,290	594,115,098	270,919,516	2,922,561,784	8,793,852,009
2017	648,257,397	604,268,648	311,788,652	3,215,041,780	9,141,283,046
2018	657,553,909	609,162,916	318,440,578	3,505,764,118	9,418,130,263
2019	666,003,951	613,237,170	361,858,622	3,757,142,666	9,651,718,549
2020	667,438,855	610,888,466	364,800,397	4,003,230,735	9,801,655,537
2021	669,096,331	608,841,963	405,104,688	4,206,968,010	9,902,106,035
2022	663,050,294	599,729,389	396,151,184	4,410,546,215	9,915,216,638
2023	657,640,685	591,255,635	430,760,119	4,571,041,731	9,885,130,356

Continued Eligibility - No New Hires

Discount Rate: 5%

Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	1,328,495,119	1,323,542,593	135,288,369	1,517,294,319	11,998,128,012
2011	1,387,445,559	1,364,608,102	161,039,806	2,720,862,615	13,007,404,761
2012	1,450,419,520	1,409,466,632	171,466,884	3,958,862,364	14,065,508,347
2013	1,520,660,012	1,461,073,452	203,302,715	5,216,633,101	15,196,641,472
2014	1,594,106,664	1,515,588,850	219,940,799	6,512,281,152	16,390,704,661
2015	1,676,338,453	1,578,319,276	256,279,926	7,834,320,501	17,671,884,118
2016	1,763,111,000	1,645,193,233	277,479,324	9,202,034,411	19,034,386,906
2017	1,858,338,774	1,719,834,951	325,409,882	10,596,459,479	20,504,930,063
2018	1,945,853,520	1,786,361,598	343,566,694	12,039,254,383	21,920,412,222
2019	2,026,690,992	1,845,482,936	402,649,444	13,482,087,875	23,290,603,353
2020	2,096,174,128	1,893,249,358	426,252,525	14,949,084,707	24,554,144,439
2021	2,155,431,014	1,930,425,836	494,954,085	16,384,556,458	25,725,435,003
2022	2,200,232,107	1,953,621,019	516,012,890	17,822,164,587	26,738,932,999
2023	2,233,728,031	1,965,478,877	591,592,523	19,196,050,942	27,622,546,220

Continued Eligibility - New Hires

Discount Rate: 5%

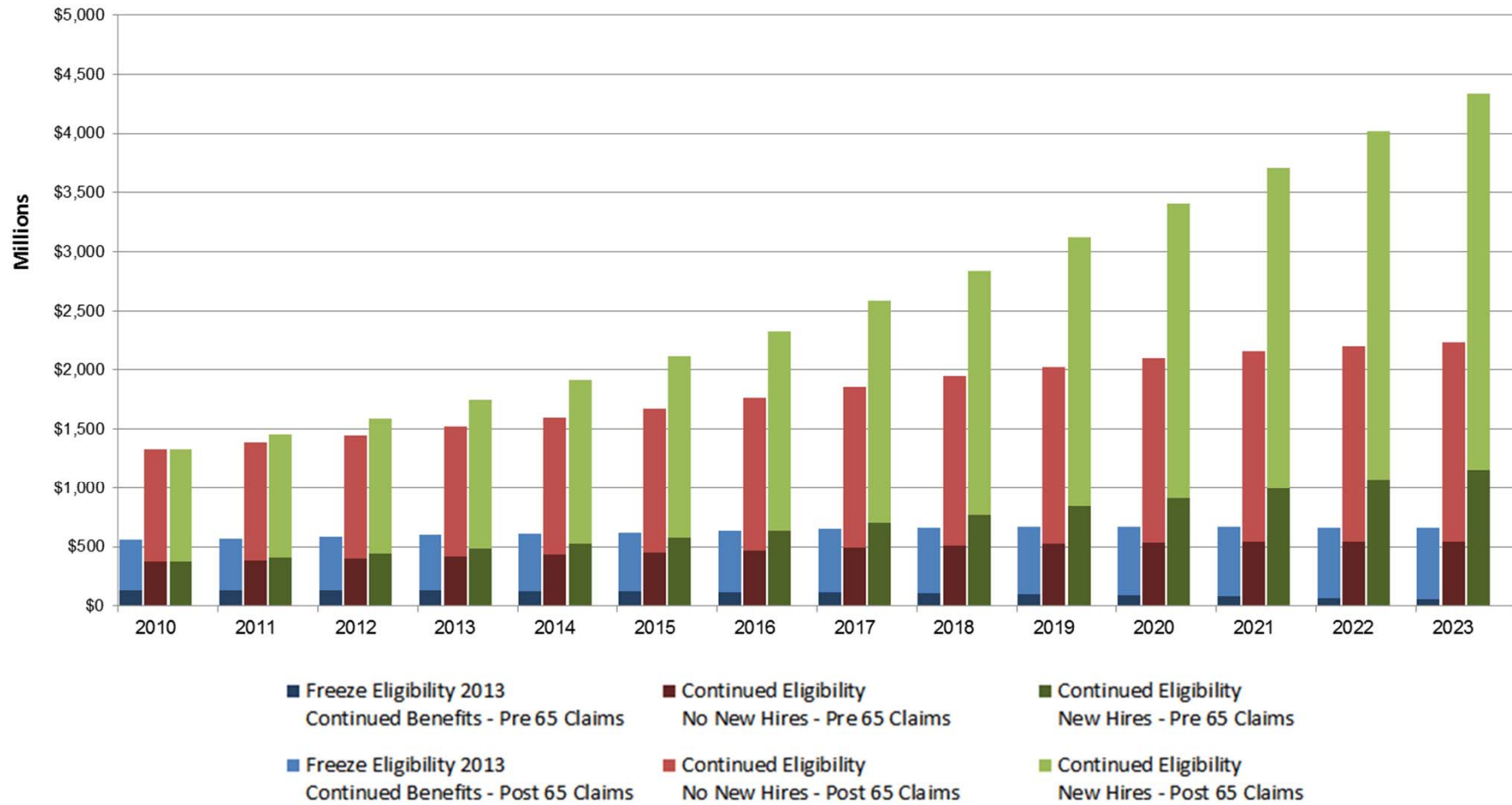
Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	1,328,495,119	1,323,542,593	135,288,369	1,517,294,319	11,998,128,012
2011	1,453,717,849	1,430,880,392	161,039,806	2,787,134,905	13,007,406,495
2012	1,587,789,892	1,545,839,512	171,466,884	4,161,507,533	14,131,932,926
2013	1,744,341,396	1,681,704,735	203,302,715	5,639,909,554	15,400,384,633
2014	1,915,622,819	1,830,734,087	219,940,799	7,250,702,842	16,818,054,931
2015	2,114,573,196	2,005,439,712	256,279,926	8,999,862,628	18,421,318,117
2016	2,328,473,484	2,193,012,636	277,479,324	10,915,395,940	20,224,666,380
2017	2,583,127,656	2,418,835,283	325,409,882	13,008,821,340	22,267,328,764
2018	2,837,915,827	2,642,114,397	343,566,694	15,307,369,043	24,404,795,968
2019	3,120,582,933	2,890,185,062	402,649,444	17,794,904,661	26,646,622,282
2020	3,403,487,037	3,135,648,185	426,252,525	20,504,300,321	28,955,812,385
2021	3,712,526,637	3,403,907,492	494,954,085	23,413,253,728	31,345,299,834
2022	4,017,779,094	3,665,376,026	516,012,890	26,562,616,864	33,770,019,026
2023	4,338,547,777	3,938,742,273	591,592,523	29,909,766,614	36,249,596,044

Annual Required Contribution

Discount Rate: 5%

Trend: 12% graded down to 7%

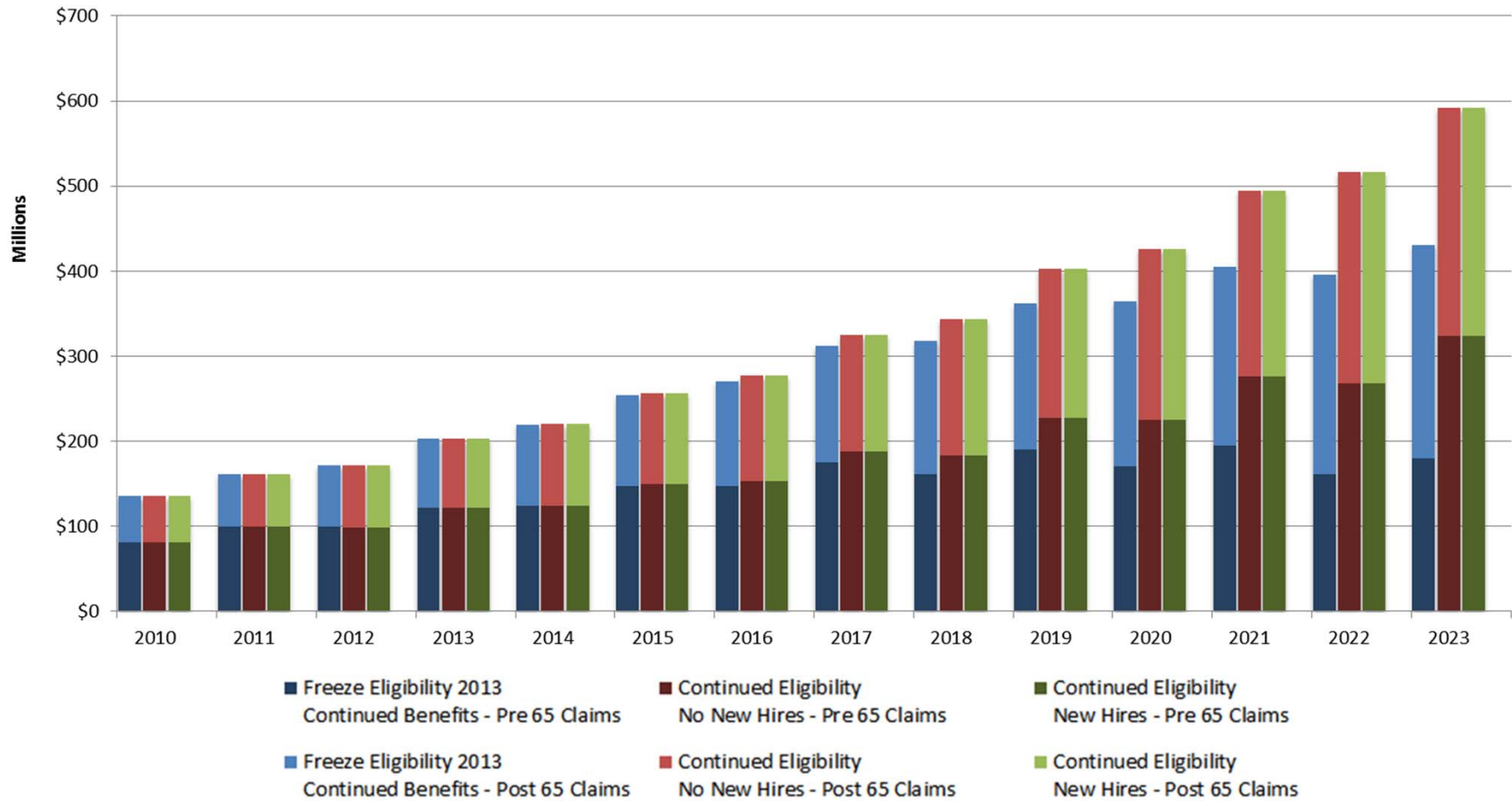


Annual Benefit Payments

PMTS-2A

Discount Rate: 5%

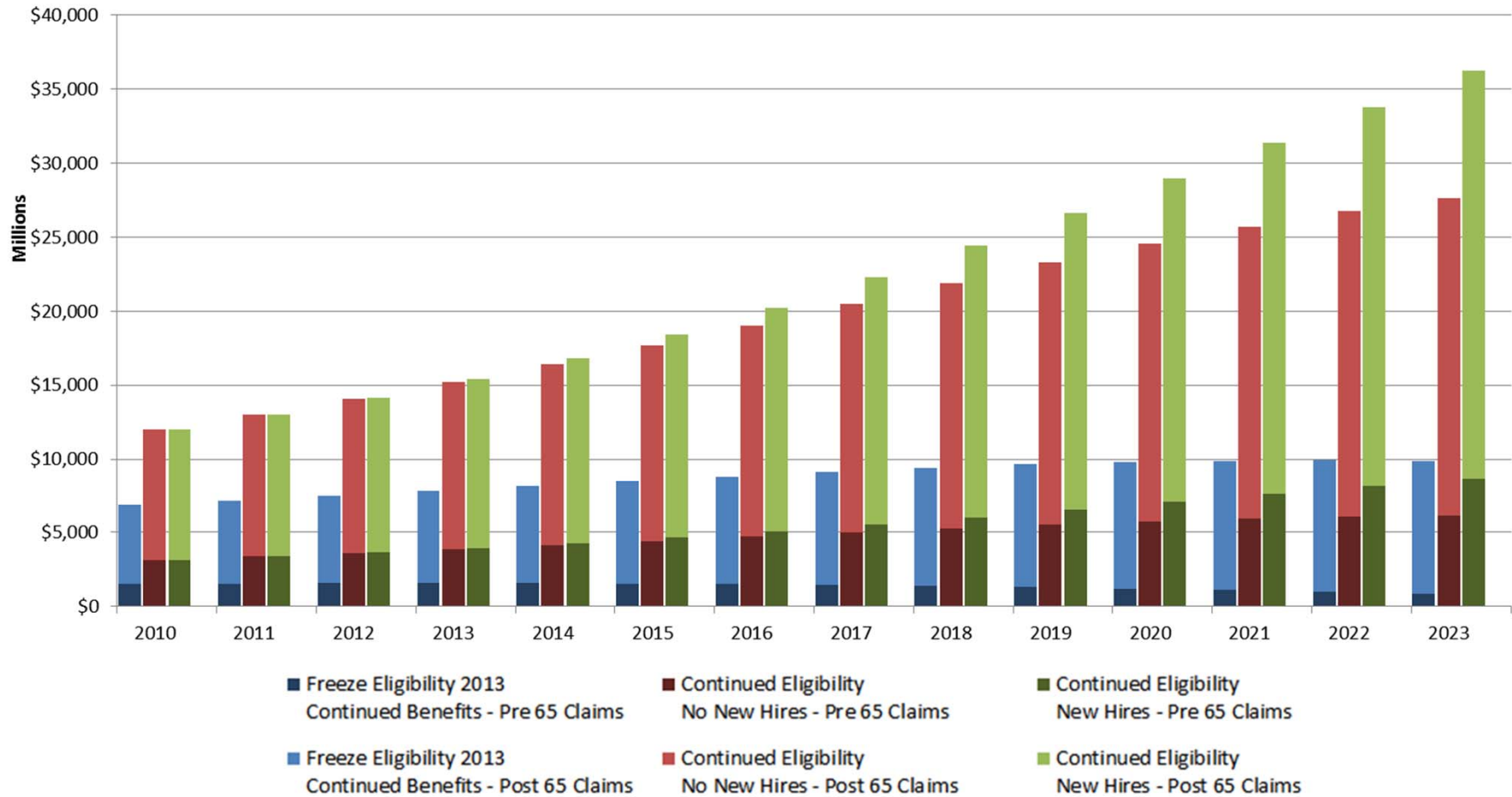
Trend: 12% graded down to 7%



Entry Age Normal Liability

Discount Rate: 5%

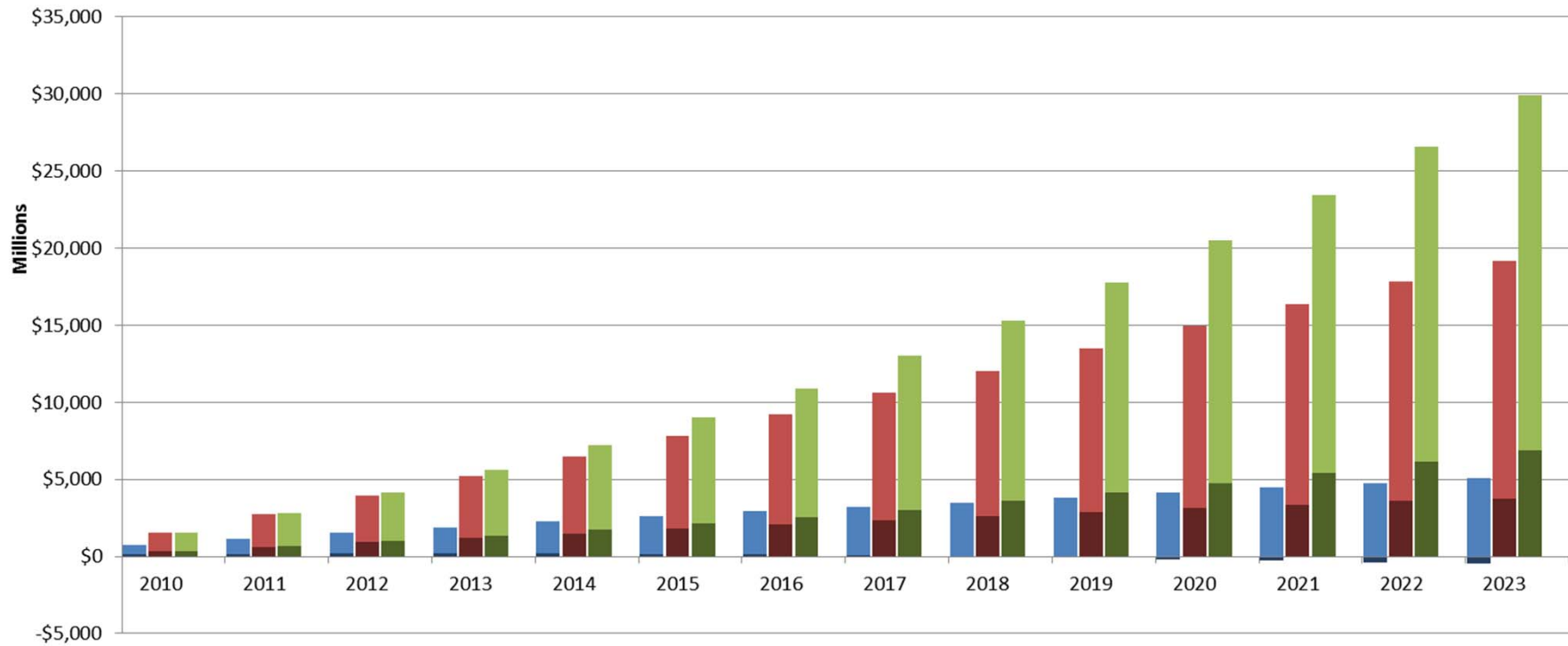
Trend: 12% graded down to 7%



OPEB Liability

OPEBLIAB-2A

Discount Rate: 5%
Trend: 12% graded down to 7%



- Freeze Eligibility 2013
Continued Benefits - Pre 65 Claims
- Continued Eligibility
No New Hires - Pre 65 Claims
- Continued Eligibility
New Hires - Pre 65 Claims
- Freeze Eligibility 2013
Continued Benefits - Post 65 Claims
- Continued Eligibility
No New Hires - Post 65 Claims
- Continued Eligibility
New Hires - Post 65 Claims

Freeze Eligibility 2013 - Continued Benefits

Discount Rate: 7%

Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	451,508,157	448,024,806	135,428,013	641,636,888	4,849,700,185
2011	468,862,169	462,069,542	161,292,705	942,413,725	5,109,779,635
2012	485,283,123	475,306,351	171,809,161	1,245,910,914	5,369,721,875
2013	503,262,694	490,072,979	203,663,842	1,532,320,051	5,645,765,409
2014	519,543,080	503,321,322	219,800,020	1,815,841,353	5,918,506,000
2015	537,981,564	518,758,335	254,109,769	2,080,489,918	6,203,950,232
2016	555,636,216	533,611,310	270,919,516	2,343,181,712	6,486,653,003
2017	575,623,413	550,817,546	311,788,652	2,582,210,606	6,785,540,008
2018	590,660,767	563,324,444	318,440,578	2,827,094,472	7,030,762,483
2019	604,759,402	574,830,639	361,858,622	3,040,066,489	7,250,720,233
2020	612,652,495	580,469,125	364,800,397	3,255,735,217	7,404,411,115
2021	619,885,408	585,418,881	405,104,688	3,436,049,410	7,526,627,149
2022	620,270,349	583,894,943	396,151,184	3,623,793,169	7,577,606,030
2023	620,364,716	582,001,779	430,760,119	3,775,034,830	7,601,780,913

Continued Eligibility - No New Hires

Discount Rate: 7%

Trend: 12% graded down to 7%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	923,942,001	920,458,650	135,288,369	1,114,210,376	7,885,925,422
2011	976,776,526	964,981,046	161,039,806	1,918,151,616	8,586,440,458
2012	1,033,149,442	1,012,843,115	171,466,884	2,759,527,847	9,326,589,155
2013	1,095,888,820	1,066,675,344	203,302,715	3,622,900,476	10,129,031,579
2014	1,162,135,652	1,123,782,166	219,940,799	4,526,741,843	10,981,380,246
2015	1,235,961,999	1,188,040,084	256,279,926	5,458,502,001	11,906,962,203
2016	1,314,502,405	1,256,716,500	277,479,324	6,437,739,177	12,897,260,492
2017	1,401,132,132	1,332,979,627	325,409,882	7,445,308,922	13,977,846,626
2018	1,483,223,014	1,404,403,970	343,566,694	8,506,146,198	15,030,976,150
2019	1,562,467,701	1,472,418,205	402,649,444	9,575,914,960	16,073,047,886
2020	1,634,057,765	1,532,683,265	426,252,525	10,682,345,699	17,048,855,995
2021	1,699,665,631	1,586,578,009	494,954,085	11,773,969,623	17,978,685,119
2022	1,754,672,133	1,630,028,139	516,012,890	12,887,984,873	18,801,991,755
2023	1,802,075,312	1,665,637,904	591,592,523	13,962,030,254	19,551,100,889

Continued Eligibility - New Hires

Discount Rate: 7%

Trend: 12% graded down to 7%

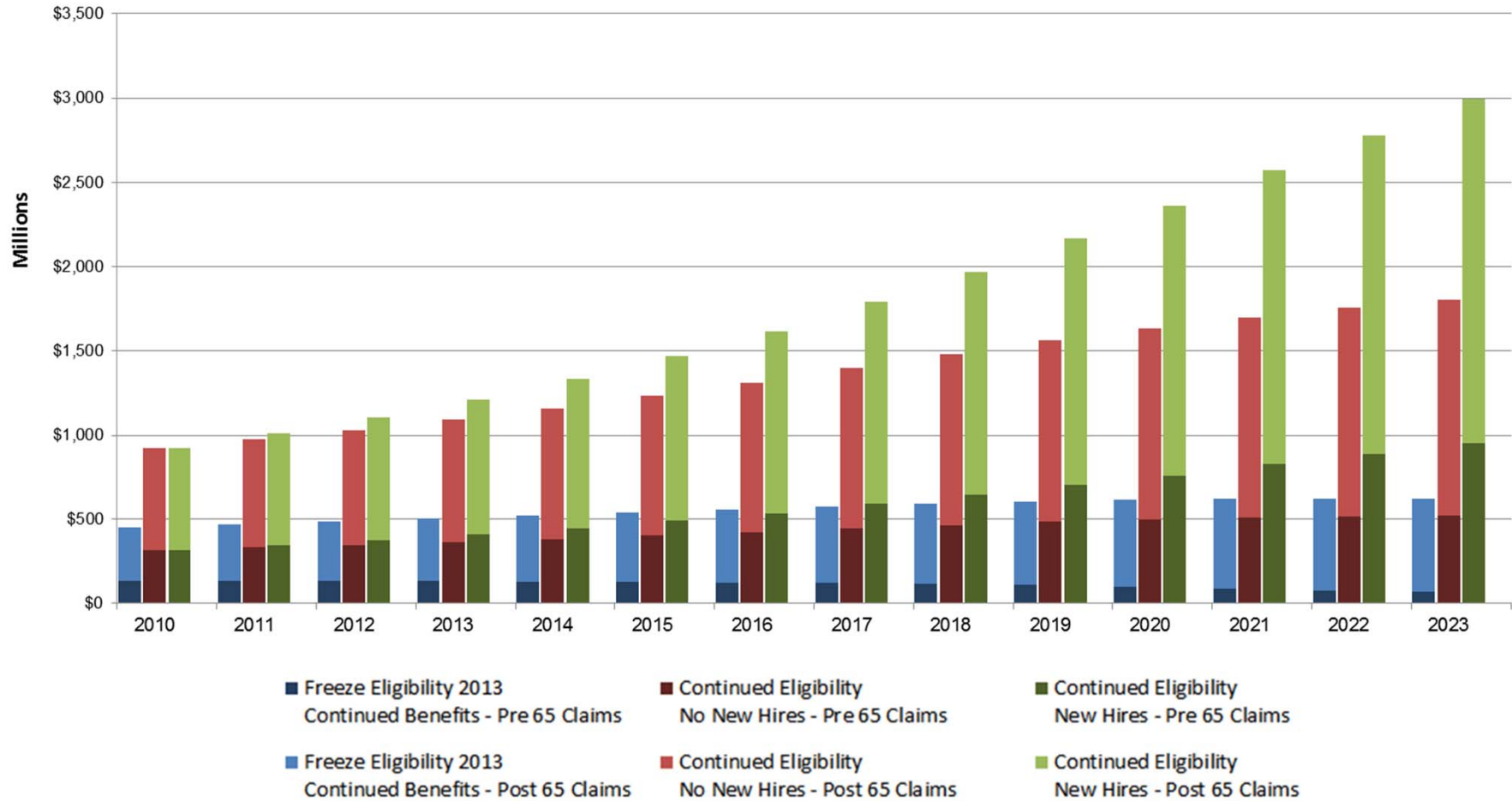
Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	923,942,001	920,458,650	135,288,369	1,114,210,376	7,885,925,422
2011	1,011,051,076	999,255,595	161,039,806	1,952,426,166	8,586,441,594
2012	1,104,897,605	1,084,228,434	171,466,884	2,865,187,715	9,360,942,945
2013	1,213,683,964	1,183,351,931	203,302,715	3,845,236,931	10,235,280,153
2014	1,332,804,980	1,292,097,750	219,940,799	4,917,393,882	11,205,924,508
2015	1,470,364,126	1,418,306,610	256,279,926	6,079,420,567	12,303,621,858
2016	1,619,349,370	1,554,990,170	277,479,324	7,356,931,413	13,531,744,481
2017	1,794,748,771	1,716,865,326	325,409,882	8,748,386,857	14,924,060,171
2018	1,971,529,634	1,878,915,681	343,566,694	10,283,735,844	16,374,148,114
2019	2,165,407,698	2,056,539,921	402,649,444	11,937,626,321	17,900,307,917
2020	2,359,991,588	2,233,615,059	426,252,525	13,744,988,855	19,462,001,991
2021	2,569,999,437	2,424,489,439	494,954,085	15,674,524,209	21,080,980,690
2022	2,777,823,055	2,611,886,217	516,012,890	17,770,397,535	22,709,443,043
2023	2,994,923,817	2,806,799,218	591,592,523	19,985,604,230	24,377,643,088

Annual Required Contribution

ARC-3A

Discount Rate: 7%

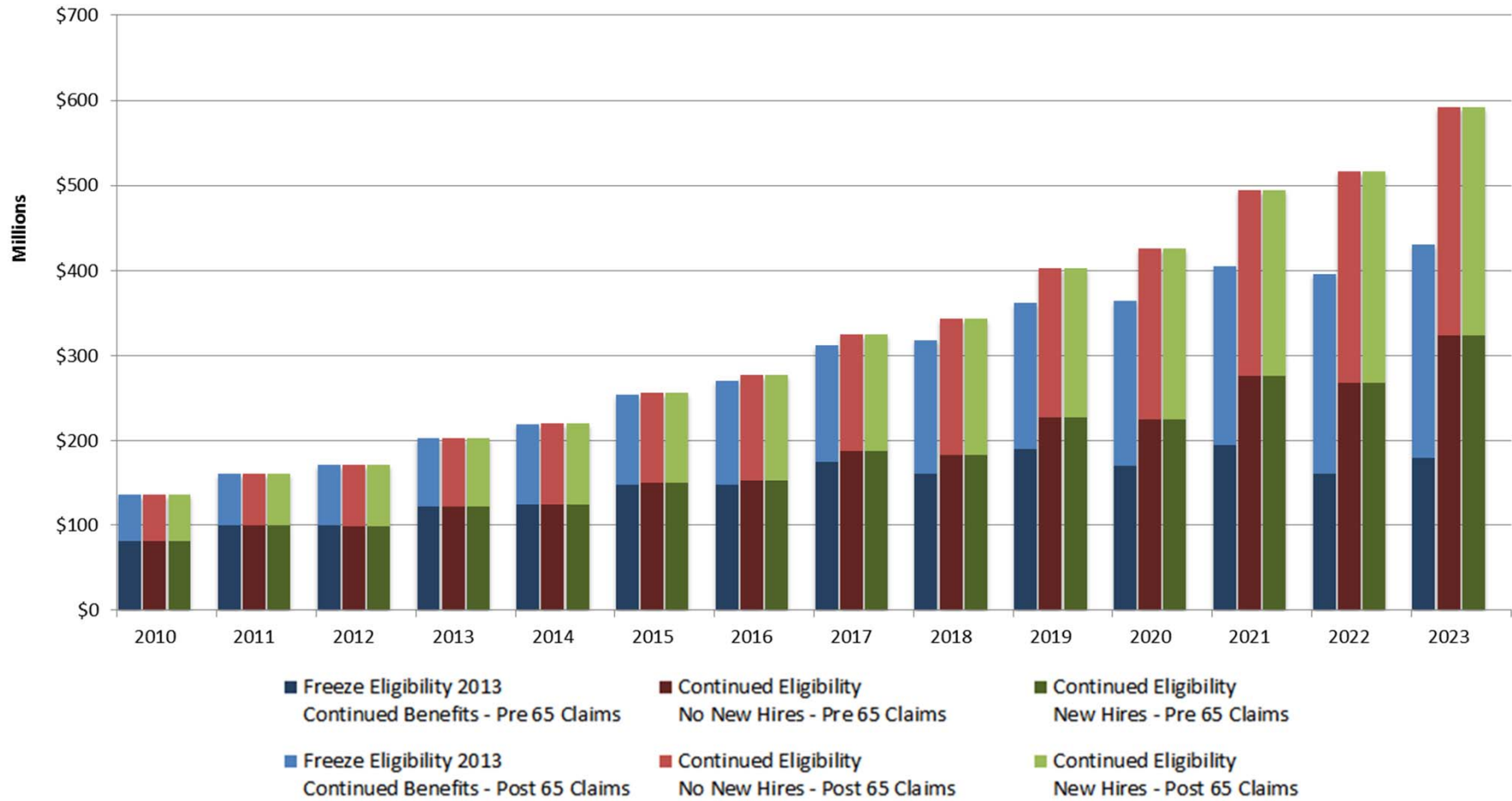
Trend: 12% graded down to 7%



Annual Benefit Payments

Discount Rate: 7%

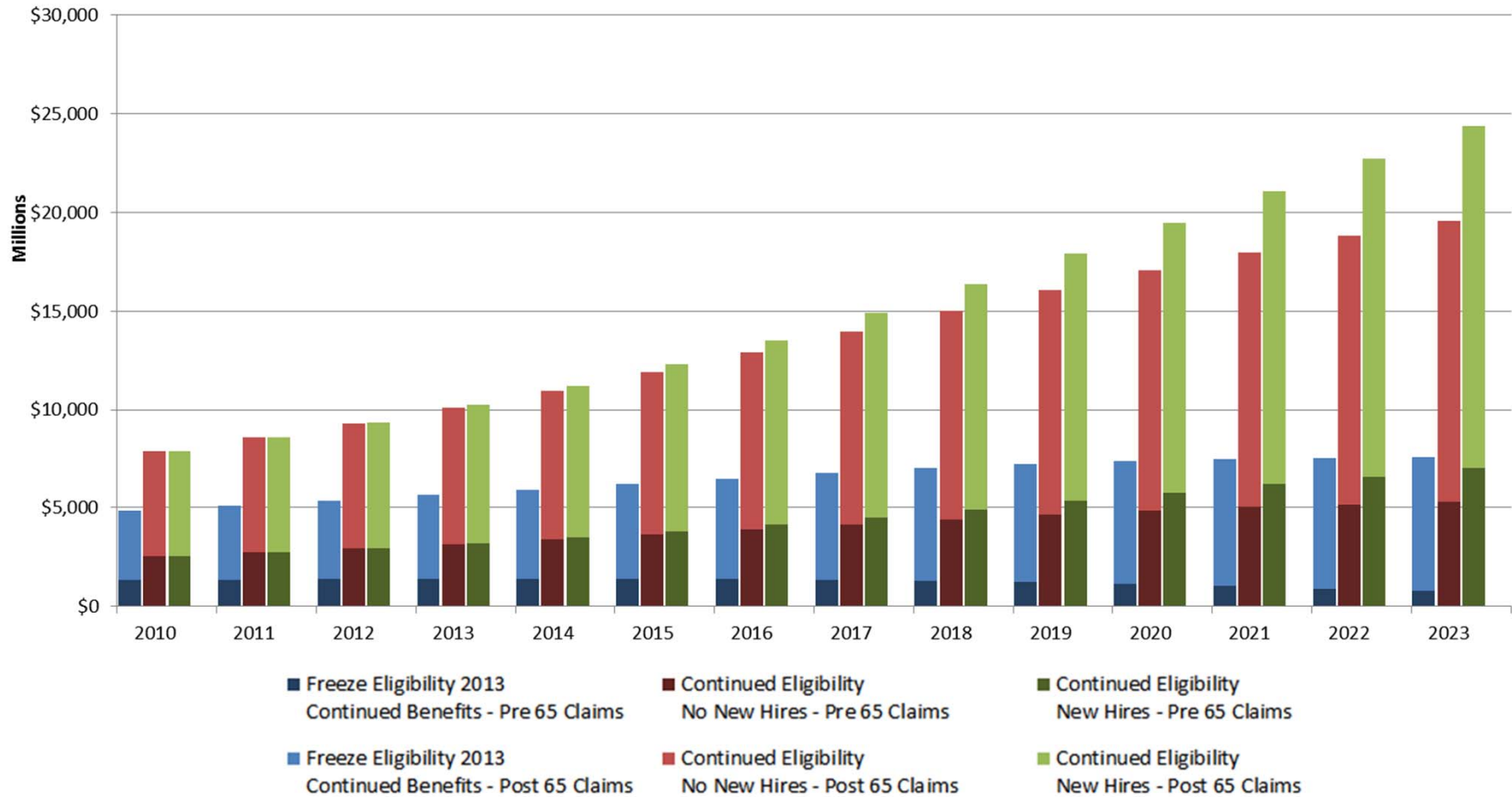
Trend: 12% graded down to 7%



Entry Age Normal Liability

Discount Rate: 7%

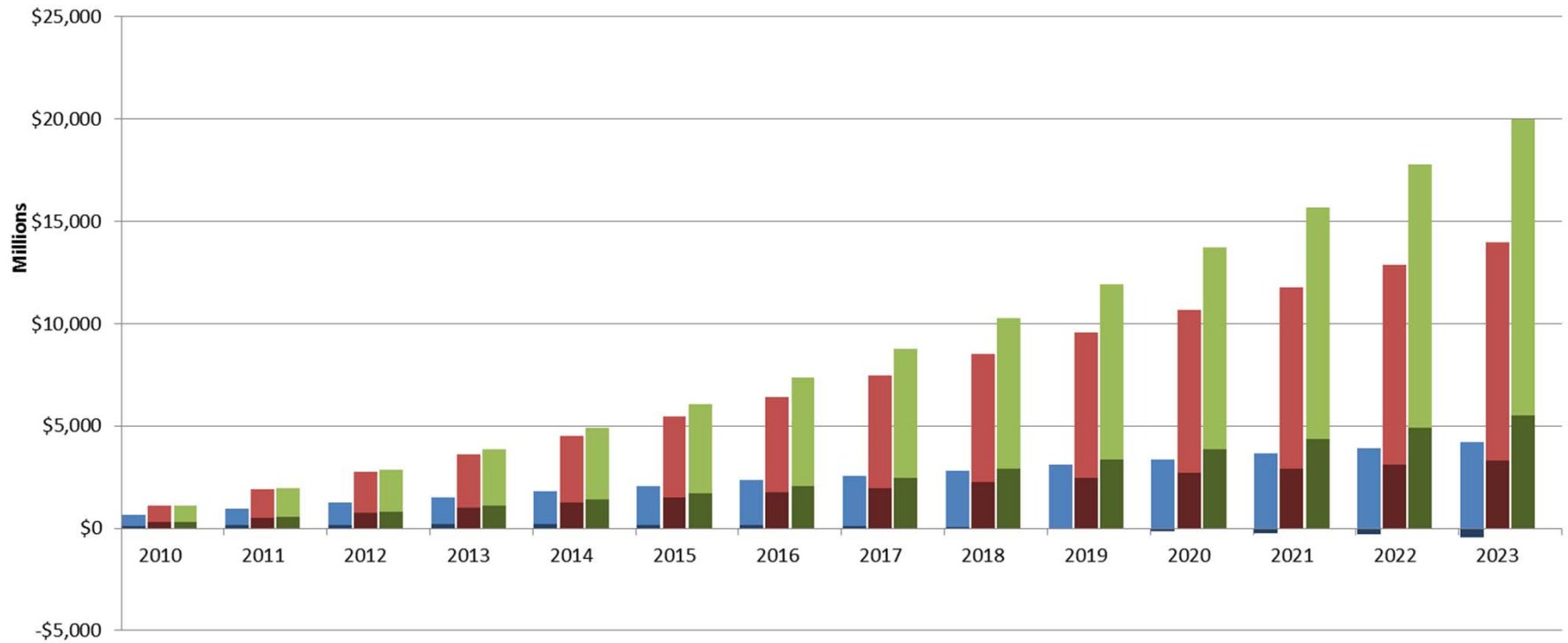
Trend: 12% graded down to 7%



OPEB Liability

OPEBLIAB-3A

Discount Rate: 7%
Trend: 12% graded down to 7%



- Freeze Eligibility 2013 Continued Benefits - Pre 65 Claims
- Continued Eligibility No New Hires - Pre 65 Claims
- Continued Eligibility New Hires - Pre 65 Claims
- Freeze Eligibility 2013 Continued Benefits - Post 65 Claims
- Continued Eligibility No New Hires - Post 65 Claims
- Continued Eligibility New Hires - Post 65 Claims

Freeze Eligibility 2013 - Continued Benefits

Discount Rate: 3%

Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	739,095,109	732,178,929	135,428,013	925,791,011	10,238,093,382
2011	733,193,014	713,733,573	158,412,479	1,481,112,105	10,434,763,744
2012	724,123,851	692,991,972	165,721,165	2,008,382,912	10,618,478,765
2013	716,329,394	674,114,673	192,923,370	2,489,574,215	10,803,171,266
2014	703,137,827	650,808,821	204,465,512	2,935,917,523	10,971,044,868
2015	693,977,834	632,267,022	232,122,489	3,336,062,057	11,133,869,973
2016	682,943,438	612,821,884	243,008,620	3,705,875,321	11,280,403,845
2017	675,507,588	597,612,834	274,605,450	4,028,882,705	11,426,925,040
2018	661,750,082	577,065,951	275,364,737	4,330,583,919	11,477,220,993
2019	648,207,243	557,181,577	307,194,325	4,580,571,171	11,458,291,960
2020	627,571,139	531,290,926	304,009,283	4,807,852,814	11,341,786,072
2021	609,608,884	508,551,379	331,374,192	4,985,030,001	11,160,333,227
2022	584,291,575	479,509,936	318,049,327	5,146,490,611	10,890,720,588
2023	562,211,418	454,035,998	339,400,912	5,261,125,697	10,572,476,977

Continued Eligibility - No New Hires

Discount Rate: 3%

Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	2,083,413,769	2,076,497,590	135,288,369	2,270,249,316	19,420,979,583
2011	2,110,371,742	2,062,652,783	158,164,095	4,174,738,004	20,584,681,501
2012	2,140,355,842	2,052,605,941	165,391,016	6,061,952,929	21,755,040,961
2013	2,177,312,571	2,049,894,810	192,581,289	7,919,266,451	22,955,872,381
2014	2,214,331,918	2,047,874,802	204,596,471	9,762,544,782	24,178,638,829
2015	2,259,704,229	2,054,502,768	234,104,869	11,582,942,682	25,443,732,435
2016	2,306,255,970	2,062,791,094	248,892,618	13,396,841,158	26,746,616,993
2017	2,358,601,559	2,077,009,881	286,602,243	15,187,248,796	28,108,572,603
2018	2,396,445,282	2,077,220,561	297,092,012	16,967,377,345	29,314,104,087
2019	2,420,833,847	2,064,192,143	341,823,067	18,689,746,420	30,369,180,898
2020	2,428,149,464	2,035,304,837	355,220,897	20,369,830,360	31,221,263,971
2021	2,420,152,504	1,991,993,757	404,870,679	21,956,953,438	31,884,265,922
2022	2,393,855,157	1,932,336,259	414,280,100	23,475,009,598	32,308,977,949
2023	2,354,298,949	1,860,871,635	466,122,636	24,869,758,596	32,524,274,763

Continued Eligibility - New Hires

Discount Rate: 3%

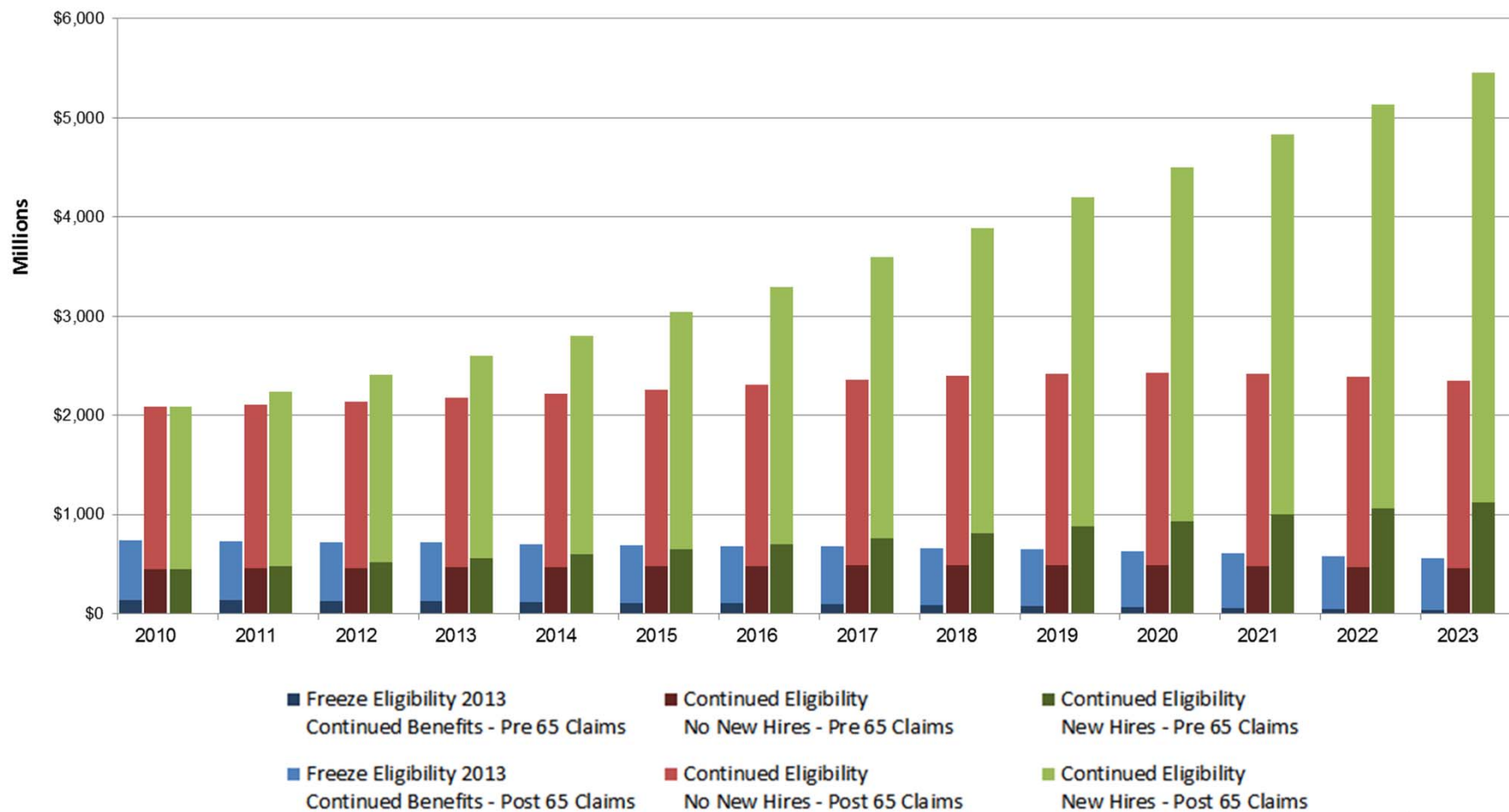
Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	2,083,413,769	2,076,497,590	135,288,369	2,270,249,316	19,420,979,583
2011	2,242,460,091	2,194,741,132	158,164,095	4,306,826,353	20,584,684,143
2012	2,406,780,158	2,316,253,858	165,391,016	6,457,689,195	21,885,061,738
2013	2,600,121,982	2,464,386,138	192,581,289	8,729,494,044	23,344,298,217
2014	2,806,834,985	2,623,347,486	204,596,471	11,148,245,059	24,972,731,811
2015	3,047,317,897	2,812,990,043	234,104,869	13,727,130,233	26,801,416,984
2016	3,296,809,018	3,008,274,908	248,892,618	16,486,512,523	28,849,302,259
2017	3,597,621,294	3,251,087,012	286,602,243	19,450,997,292	31,144,311,317
2018	3,883,238,940	3,474,393,384	297,092,012	22,628,298,664	33,487,439,873
2019	4,199,979,140	3,724,349,063	341,823,067	26,010,824,660	35,866,347,576
2020	4,501,999,110	3,955,270,841	355,220,897	29,610,874,604	38,252,593,619
2021	4,831,164,855	4,208,766,203	404,870,679	33,414,770,128	40,638,767,391
2022	5,139,292,088	4,436,938,369	414,280,100	37,437,428,397	42,991,396,329
2023	5,456,845,265	4,669,938,249	466,122,636	41,641,244,010	45,307,395,565

Annual Required Contribution

Discount Rate: 3%

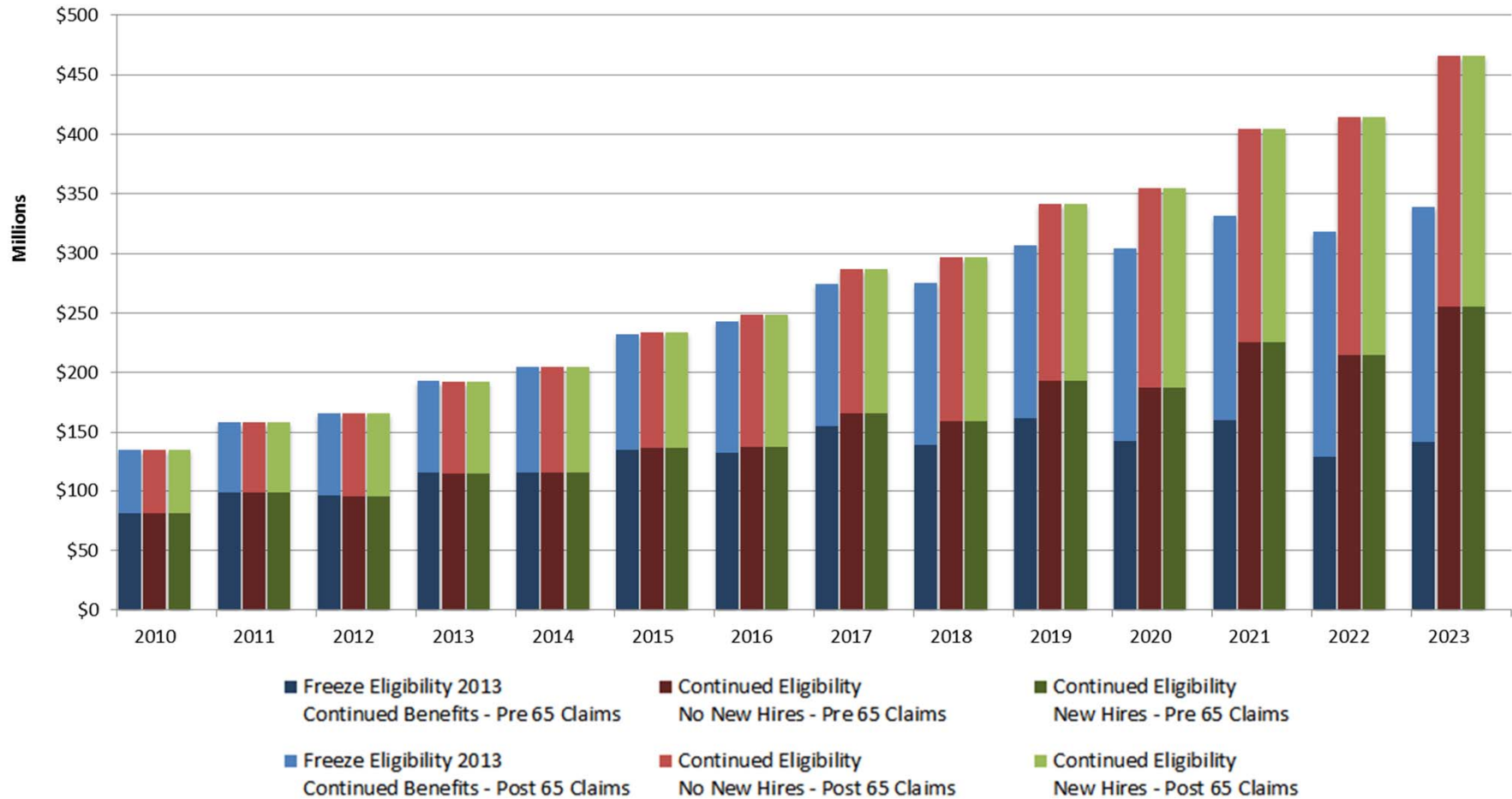
Trend: 10% graded down to 5%



Annual Benefit Payments

Discount Rate: 3%

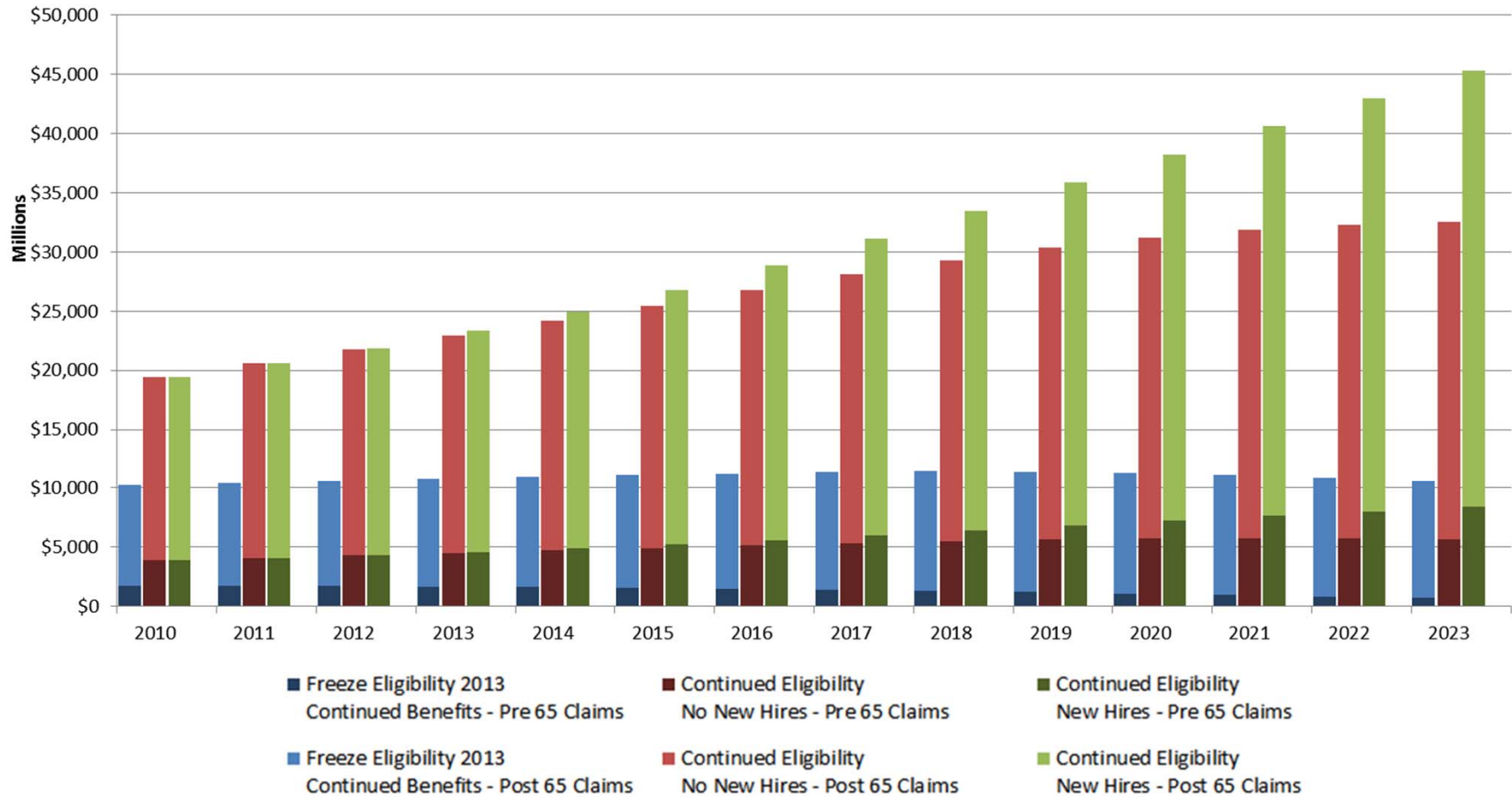
Trend: 10% graded down to 5%



Entry Age Normal Liability

Discount Rate: 3%

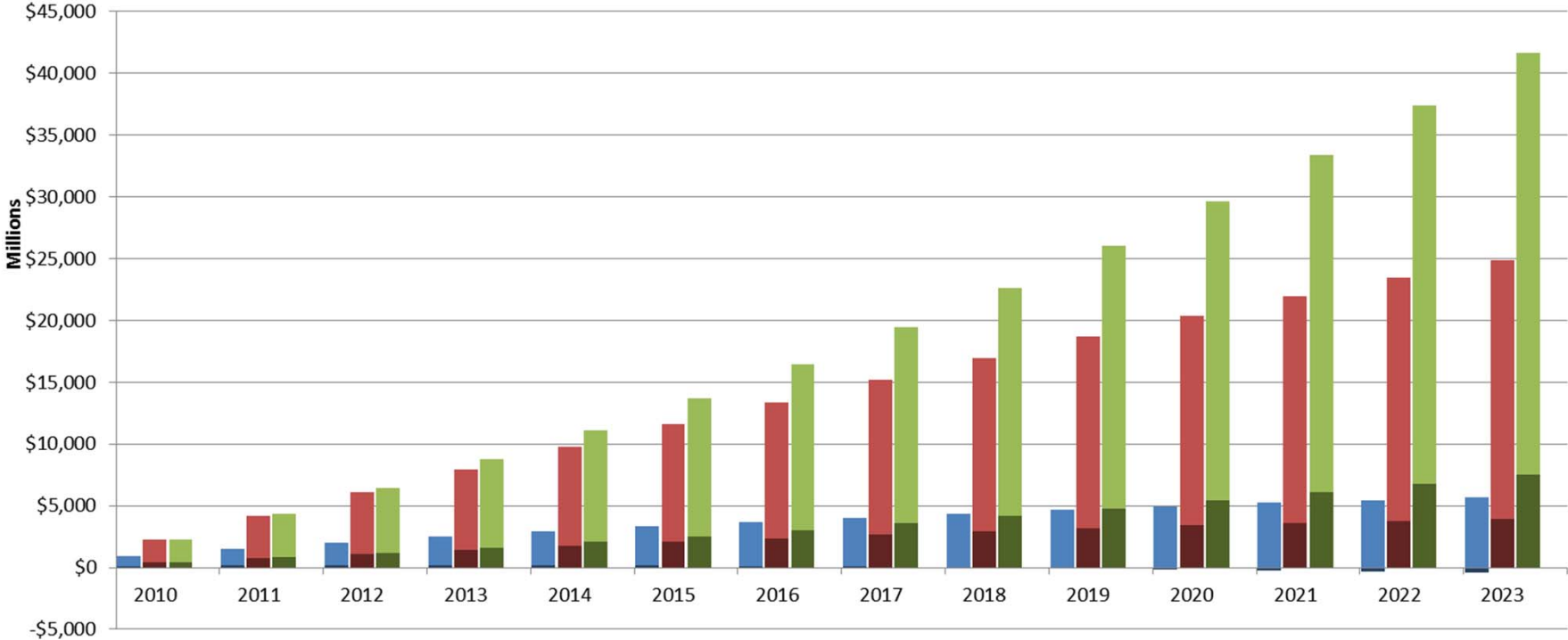
Trend: 10% graded down to 5%



OPEB Liability

OPEBLIAB-1B

Discount Rate: 3%
Trend: 10% graded down to 5%



- Freeze Eligibility 2013
Continued Benefits - Pre 65 Claims
- Continued Eligibility
No New Hires - Pre 65 Claims
- Continued Eligibility
New Hires - Pre 65 Claims
- Freeze Eligibility 2013
Continued Benefits - Post 65 Claims
- Continued Eligibility
No New Hires - Post 65 Claims
- Continued Eligibility
New Hires - Post 65 Claims

Freeze Eligibility 2013 - Continued Benefits

Discount Rate: 5%

Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	556,712,343	551,759,817	135,428,013	745,371,899	6,840,524,977
2011	560,547,953	549,329,036	158,412,479	1,136,288,456	7,027,688,498
2012	562,428,860	545,326,088	165,721,165	1,515,893,380	7,205,203,936
2013	565,351,782	542,535,411	192,923,370	1,865,505,421	7,388,120,081
2014	565,179,285	537,100,751	204,465,512	2,198,140,660	7,558,064,108
2015	567,311,727	534,226,556	232,122,489	2,500,244,727	7,729,021,634
2016	568,059,680	530,427,409	243,008,620	2,787,663,517	7,887,716,185
2017	571,021,843	529,063,507	274,605,450	3,042,121,573	8,050,921,268
2018	568,676,618	522,888,322	275,364,737	3,289,645,159	8,143,927,310
2019	565,477,958	515,964,078	307,194,325	3,498,414,912	8,193,469,958
2020	556,286,639	503,630,474	304,009,283	3,698,036,103	8,168,094,469
2021	547,398,579	491,737,828	331,374,192	3,858,399,739	8,099,707,965
2022	532,390,720	474,316,267	318,049,327	4,014,666,679	7,960,272,141
2023	518,227,913	457,801,418	339,400,912	4,133,067,185	7,788,495,716

Continued Eligibility - No New Hires

Discount Rate: 5%

Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	1,328,495,119	1,323,542,593	135,288,369	1,517,294,319	11,998,128,012
2011	1,362,684,274	1,339,846,817	158,164,095	2,698,977,041	12,775,211,667
2012	1,399,045,885	1,358,422,407	165,391,016	3,892,008,432	13,567,288,735
2013	1,440,497,498	1,381,917,186	192,581,289	5,081,344,329	14,395,530,732
2014	1,482,920,901	1,406,439,377	204,596,471	6,283,187,235	15,247,630,065
2015	1,531,326,367	1,436,755,383	234,104,869	7,485,837,748	16,143,357,705
2016	1,581,497,497	1,468,824,896	248,892,618	8,705,770,026	17,074,110,567
2017	1,636,751,731	1,505,717,398	286,602,243	9,924,885,181	18,060,381,925
2018	1,682,657,862	1,533,274,097	297,092,012	11,161,067,267	18,956,159,444
2019	1,720,556,862	1,552,566,782	341,823,067	12,371,810,982	19,773,251,127
2020	1,746,874,700	1,560,661,190	355,220,897	13,577,251,275	20,463,539,070
2021	1,763,154,054	1,558,796,937	404,870,679	14,731,177,534	21,044,527,204
2022	1,766,459,783	1,544,734,421	414,280,100	15,861,631,854	21,468,573,716
2023	1,759,999,354	1,521,259,032	466,122,636	16,916,768,250	21,765,408,177

Continued Eligibility - New Hires

Discount Rate: 5%

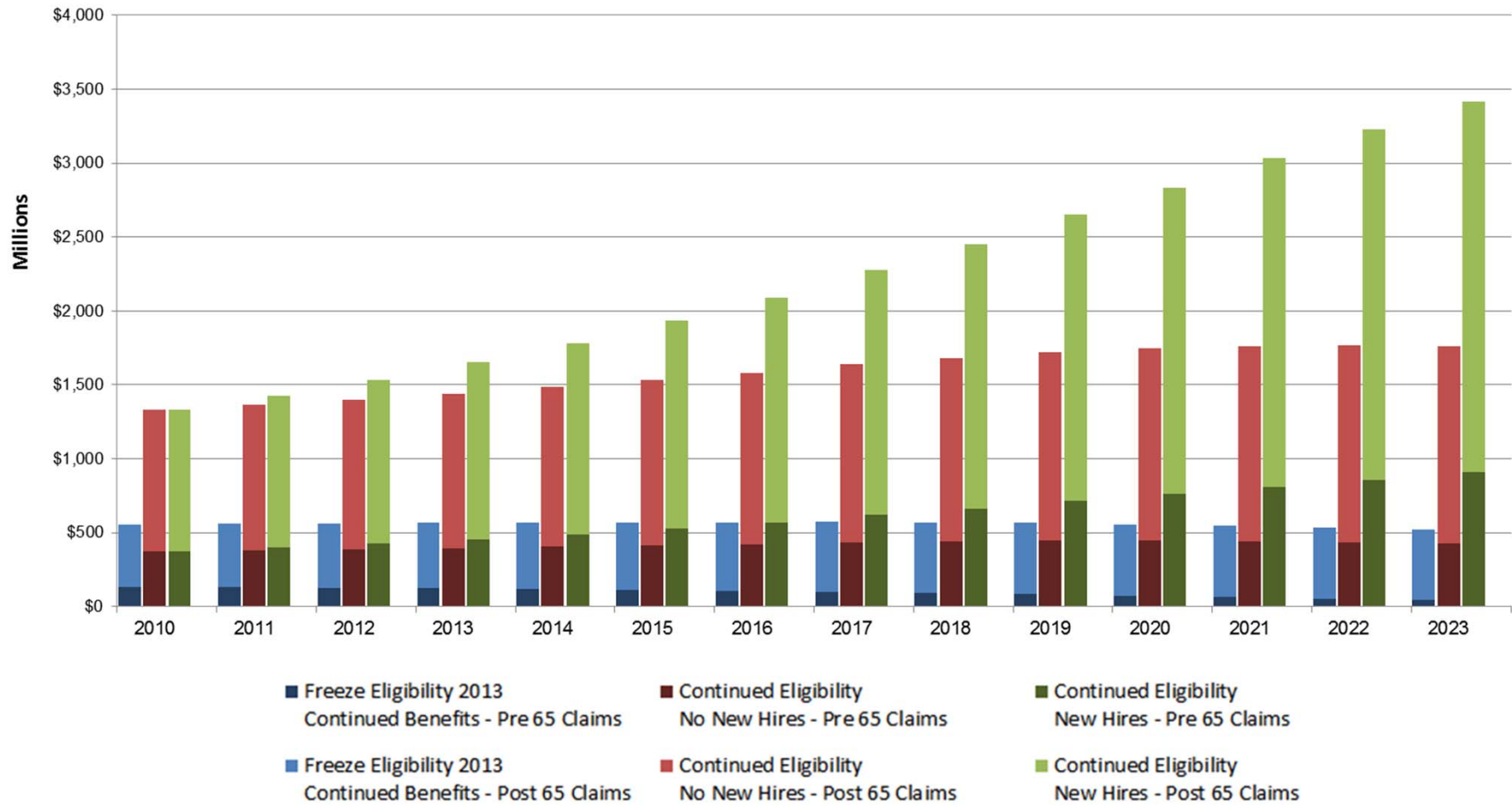
Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	1,328,495,119	1,323,542,593	135,288,369	1,517,294,319	11,998,128,012
2011	1,427,773,132	1,404,935,675	158,164,095	2,764,065,899	12,775,213,371
2012	1,531,548,586	1,489,945,428	165,391,016	4,088,620,311	13,631,359,582
2013	1,652,382,764	1,590,843,161	192,581,289	5,486,882,183	14,588,529,736
2014	1,782,006,255	1,699,420,804	204,596,471	6,981,706,516	15,645,168,509
2015	1,931,642,124	1,826,557,422	234,104,869	8,574,159,069	16,827,953,637
2016	2,088,614,765	1,959,561,367	248,892,618	10,284,827,818	18,141,783,267
2017	2,275,103,961	2,120,302,543	286,602,243	12,118,528,117	19,612,640,321
2018	2,454,049,753	2,271,648,513	297,092,012	14,093,084,619	21,104,549,754
2019	2,649,199,354	2,437,078,206	341,823,067	16,188,339,758	22,622,413,820
2020	2,836,333,453	2,592,675,708	355,220,897	18,425,794,569	24,131,896,844
2021	3,036,851,108	2,759,516,457	404,870,679	20,780,440,347	25,641,847,207
2022	3,225,671,325	2,912,895,876	414,280,100	23,279,056,124	27,113,888,121
2023	3,418,406,036	3,068,022,834	466,122,636	25,880,956,321	28,563,341,972

Annual Required Contribution

Discount Rate: 5%

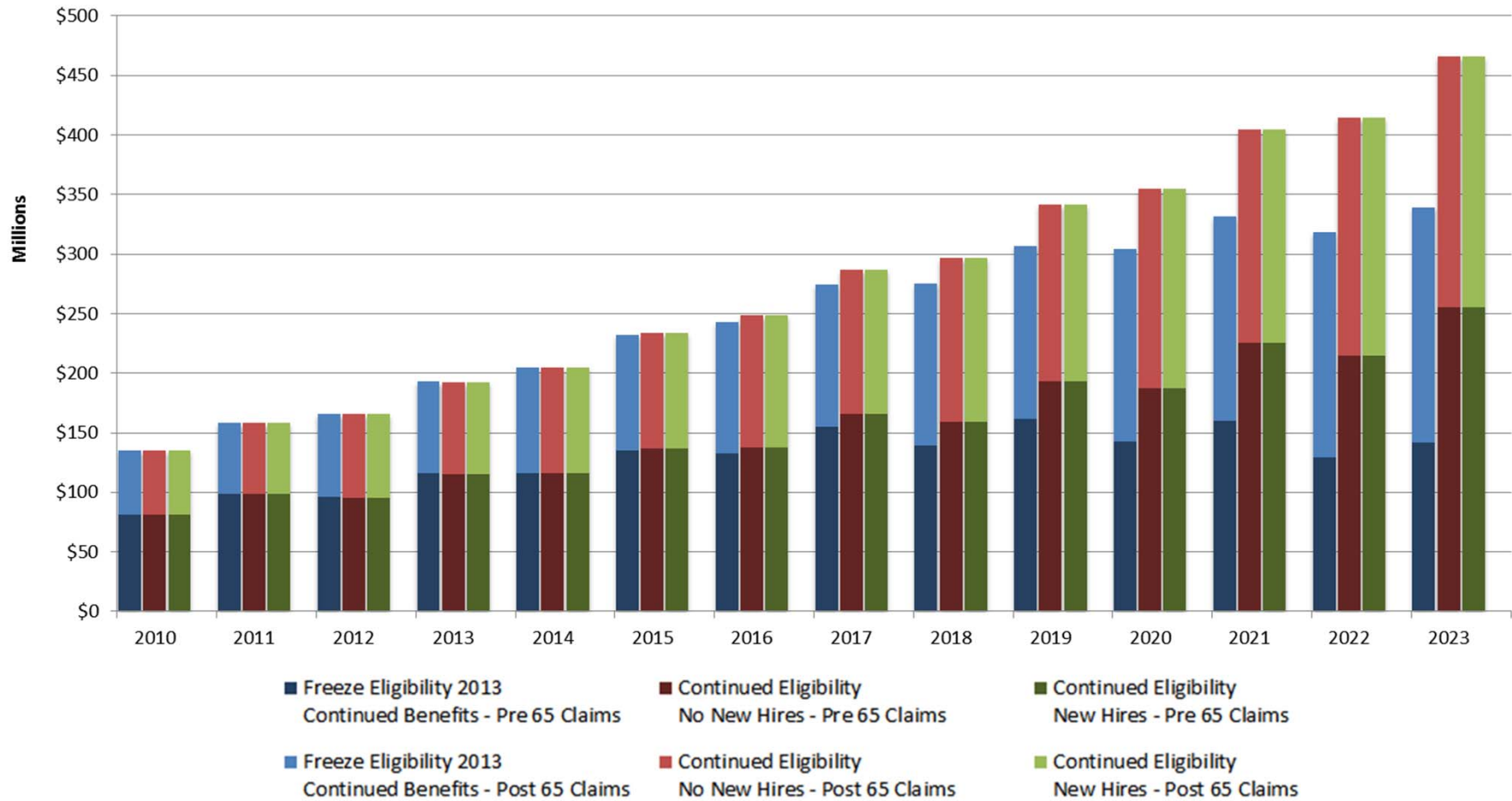
Trend: 10% graded down to 5%



Annual Benefit Payments

Discount Rate: 5%

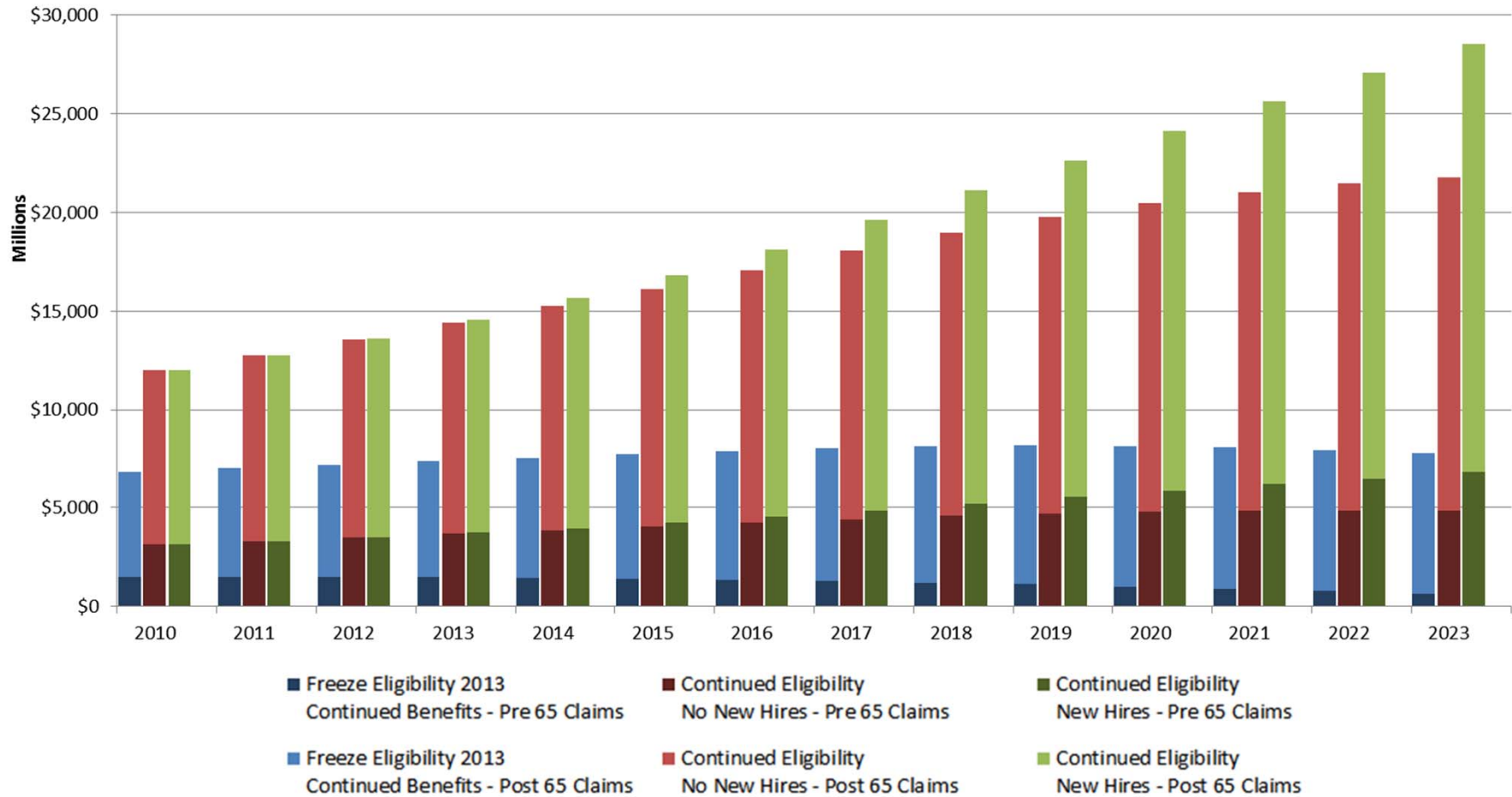
Trend: 10% graded down to 5%



Entry Age Normal Liability

Discount Rate: 5%

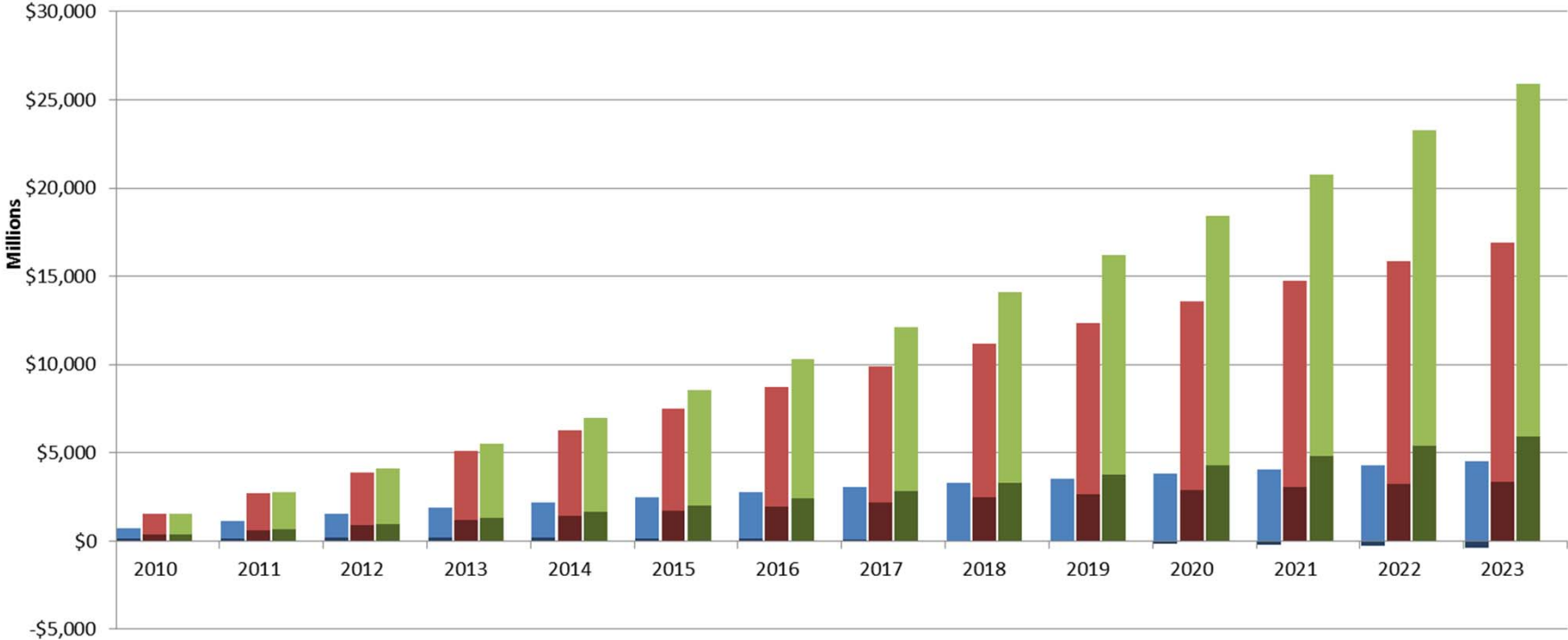
Trend: 10% graded down to 5%



OPEB Liability

OPEBLIAB-2B

Discount Rate: 5%
Trend: 10% graded down to 5%



- Freeze Eligibility 2013
Continued Benefits - Pre 65 Claims
- Continued Eligibility
No New Hires - Pre 65 Claims
- Continued Eligibility
New Hires - Pre 65 Claims
- Freeze Eligibility 2013
Continued Benefits - Post 65 Claims
- Continued Eligibility
No New Hires - Post 65 Claims
- Continued Eligibility
New Hires - Post 65 Claims

Freeze Eligibility 2013 - Continued Benefits

Discount Rate: 7%

Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	451,508,157	448,024,806	135,428,013	641,636,888	4,849,700,185
2011	460,501,537	453,708,910	158,412,479	936,933,319	5,018,508,137
2012	468,106,277	458,187,523	165,721,165	1,229,399,677	5,179,403,550
2013	476,751,900	463,736,979	192,923,370	1,500,213,286	5,347,965,956
2014	483,327,933	467,446,070	204,465,512	1,763,193,844	5,505,519,567
2015	491,473,961	472,808,079	232,122,489	2,003,879,434	5,667,044,606
2016	498,434,318	477,220,442	243,008,620	2,238,091,256	5,818,267,373
2017	507,028,663	483,335,325	274,605,450	2,446,821,132	5,976,181,224
2018	510,811,437	484,908,401	275,364,737	2,656,364,796	6,079,565,874
2019	513,461,049	485,339,700	307,194,325	2,834,510,171	6,155,244,738
2020	510,608,883	480,601,615	304,009,283	3,011,102,503	6,170,392,298
2021	507,120,889	475,244,143	331,374,192	3,154,972,454	6,156,630,383
2022	498,026,555	464,626,743	318,049,327	3,301,549,870	6,083,570,073
2023	488,838,769	453,887,230	339,400,912	3,416,036,188	5,989,453,656

Continued Eligibility - No New Hires

Discount Rate: 7%

Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	923,942,001	920,458,650	135,288,369	1,114,210,376	7,885,925,422
2011	959,344,321	947,548,841	158,164,095	1,903,595,122	8,433,198,344
2012	996,554,840	976,402,614	165,391,016	2,714,606,719	8,996,297,825
2013	1,038,117,010	1,009,379,088	192,581,289	3,531,404,519	9,595,173,839
2014	1,081,076,185	1,043,691,312	204,596,471	4,370,499,360	10,215,694,858
2015	1,129,040,414	1,082,772,544	234,104,869	5,219,167,035	10,877,258,636
2016	1,179,092,178	1,123,839,970	248,892,618	6,094,114,387	11,569,249,379
2017	1,234,053,028	1,169,538,274	286,602,243	6,977,050,418	12,311,705,524
2018	1,282,590,937	1,208,729,066	297,092,012	7,888,687,472	12,998,667,200
2019	1,326,440,248	1,242,927,420	341,823,067	8,789,791,824	13,646,022,909
2020	1,361,746,295	1,268,694,012	355,220,897	9,703,264,939	14,208,954,397
2021	1,390,314,397	1,287,591,719	404,870,679	10,585,985,979	14,707,727,413
2022	1,408,717,715	1,296,650,196	414,280,100	11,468,356,075	15,096,434,076
2023	1,419,863,784	1,298,455,139	466,122,636	12,300,688,578	15,405,854,774

Continued Eligibility - New Hires

Discount Rate: 7%

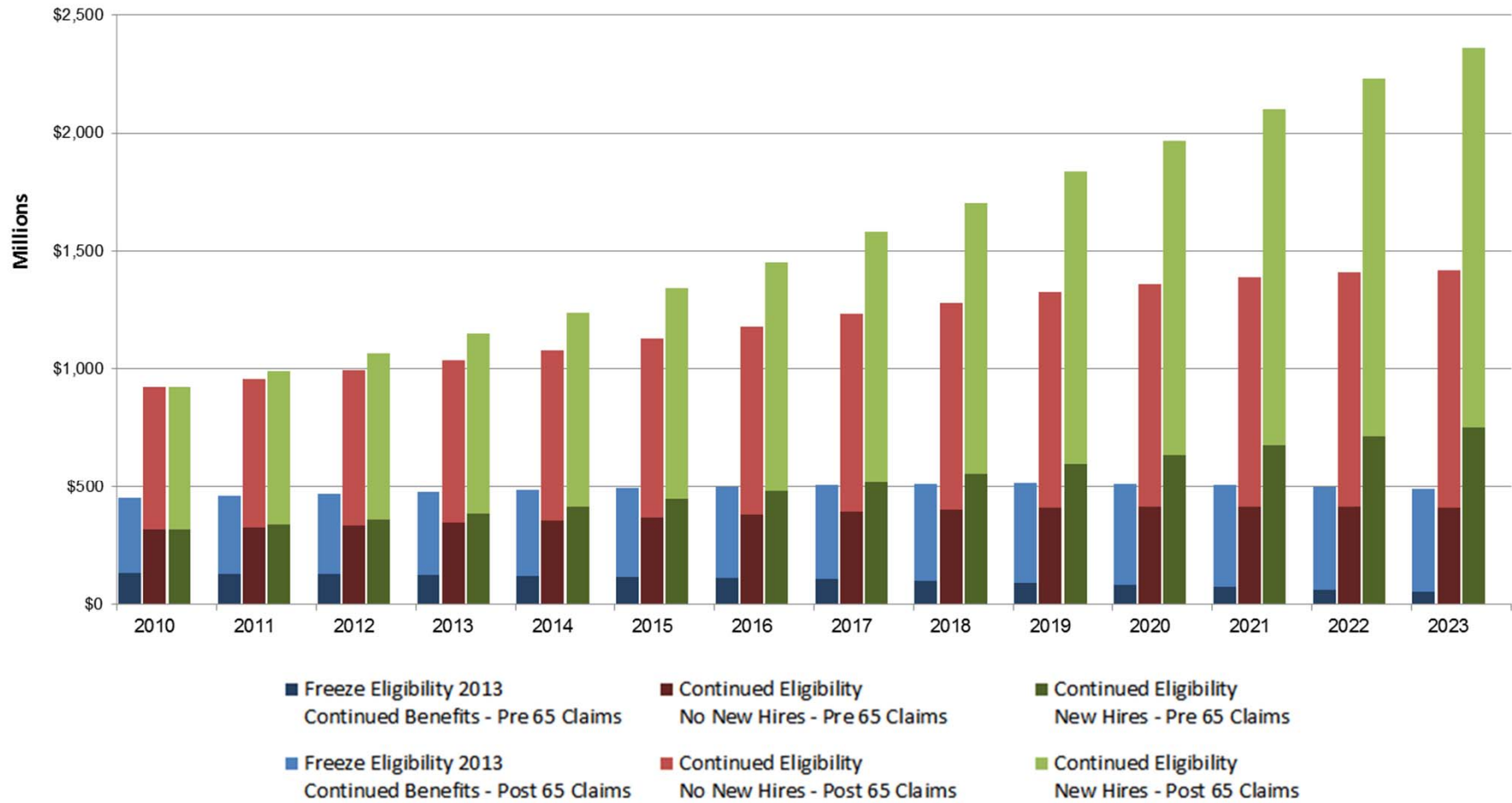
Trend: 10% graded down to 5%

Year	Annual Required Contribution	End of Year OPEB Cost	Benefit Payout	End of Year OPEB Liability	Entry Age Accrued Liability
2010	923,942,001	920,458,650	135,288,369	1,114,210,376	7,885,925,422
2011	993,006,824	981,211,344	158,164,095	1,937,257,625	8,433,199,460
2012	1,065,760,632	1,045,252,041	165,391,016	2,817,118,650	9,029,434,300
2013	1,149,700,081	1,119,876,926	192,581,289	3,744,414,287	9,695,819,746
2014	1,239,838,656	1,200,198,776	204,596,471	4,740,016,592	10,424,576,148
2015	1,343,160,526	1,292,980,798	234,104,869	5,798,892,521	11,239,604,440
2016	1,452,533,001	1,391,143,585	248,892,618	6,941,143,488	12,138,385,720
2017	1,580,727,918	1,507,246,172	286,602,243	8,161,787,417	13,145,114,007
2018	1,704,843,775	1,618,439,800	297,092,012	9,483,135,204	14,160,216,563
2019	1,838,296,824	1,737,904,528	341,823,067	10,879,216,666	15,197,365,070
2020	1,966,708,559	1,851,536,782	355,220,897	12,375,532,550	16,220,154,784
2021	2,102,243,292	1,971,230,911	404,870,679	13,941,892,782	17,245,673,648
2022	2,230,150,535	2,082,556,032	414,280,100	15,610,168,715	18,233,926,767
2023	2,359,718,946	2,194,463,401	466,122,636	17,338,509,480	19,209,300,344

Annual Required Contribution

Discount Rate: 7%

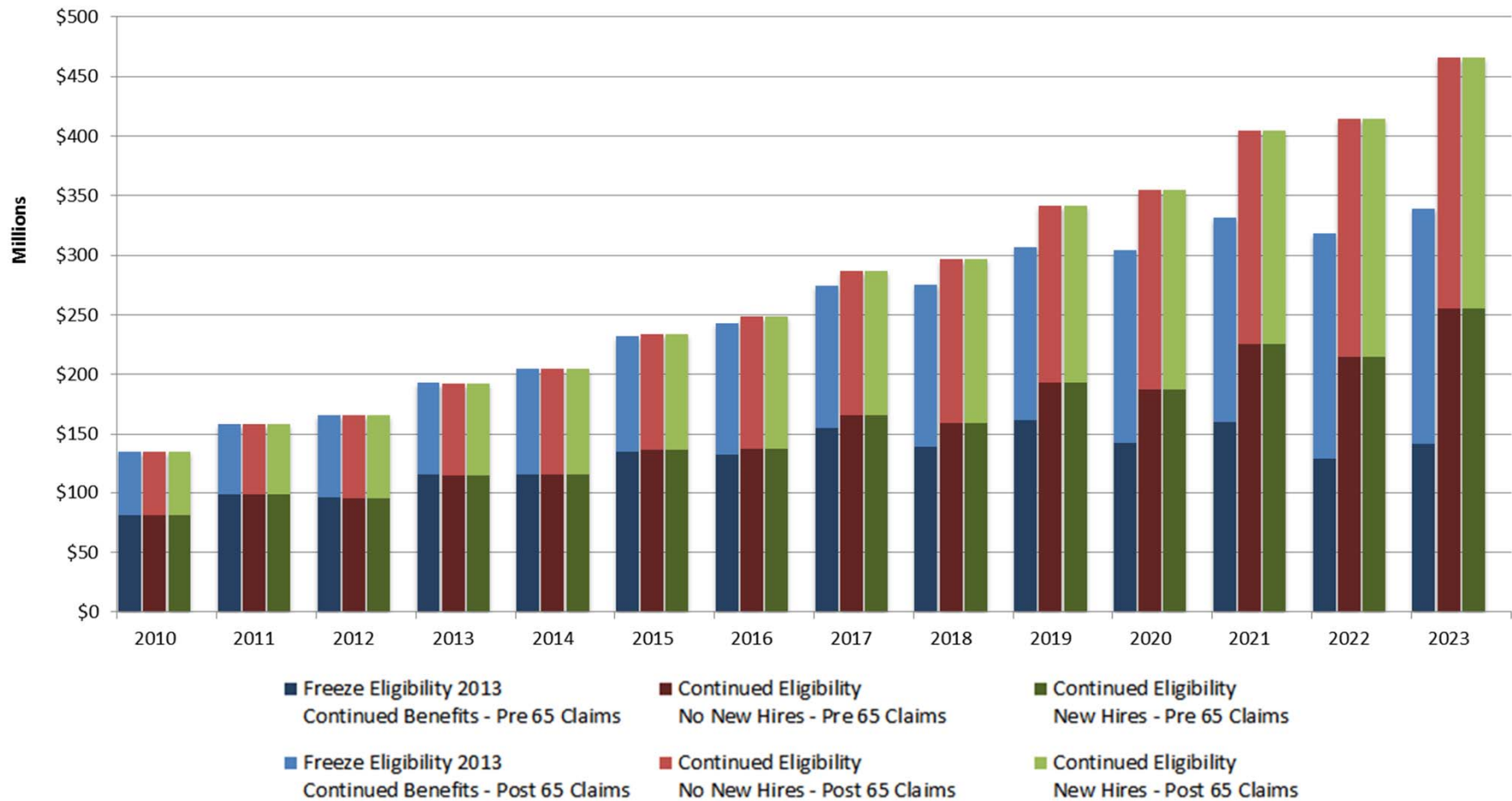
Trend: 10% graded down to 5%



Annual Benefit Payments

Discount Rate: 7%

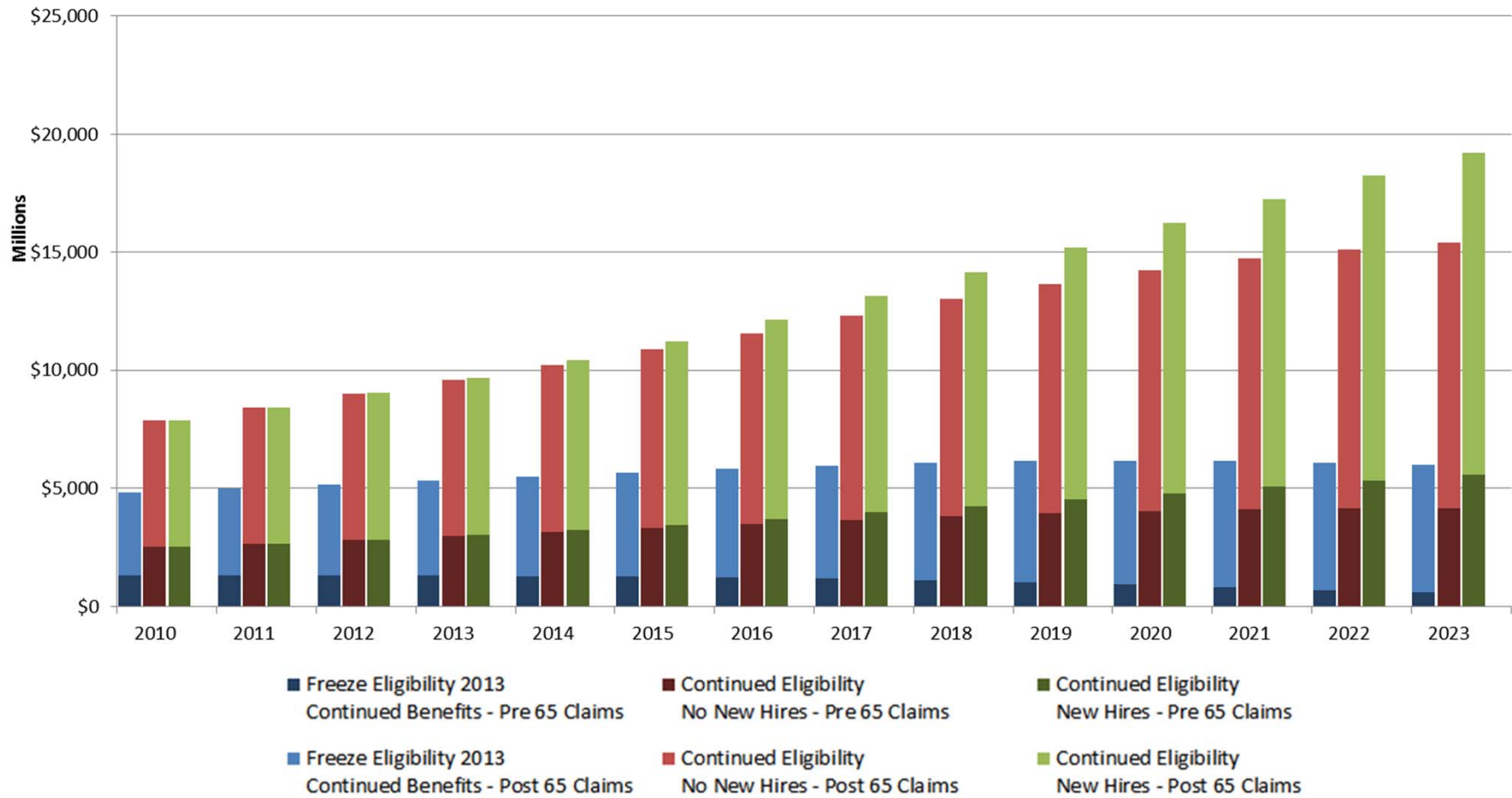
Trend: 10% graded down to 5%



Entry Age Normal Liability

Discount Rate: 7%

Trend: 10% graded down to 5%

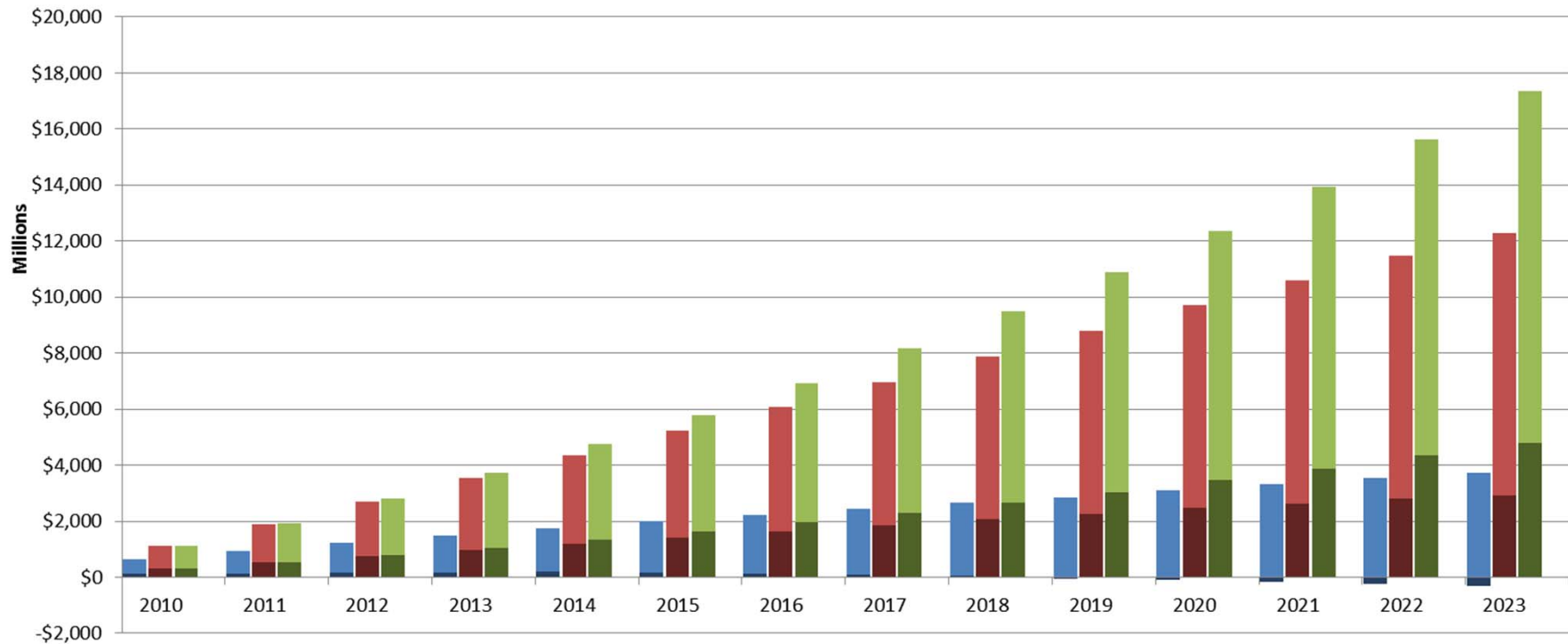


OPEB Liability

OPEBLIAB-3B

Discount Rate: 7%

Trend: 10% graded down to 5%



- Freeze Eligibility 2013
Continued Benefits - Pre 65 Claims
- Continued Eligibility
No New Hires - Pre 65 Claims
- Continued Eligibility
New Hires - Pre 65 Claims
- Freeze Eligibility 2013
Continued Benefits - Post 65 Claims
- Continued Eligibility
No New Hires - Post 65 Claims
- Continued Eligibility
New Hires - Post 65 Claims

Related Issues

- **Change in Plan Provisions** – Changes in the plan design, such as coverage levels, deductibles etc. were not valued in this initial phase.
- **Funded vs. Unfunded** – Prefunding increases current cash outlay but reduces ultimate total costs because investment income on accumulated assets offsets employer costs
- **Actuarial Assumptions** - Current demographic assumptions, such as retirement rates, will need to be reconsidered based upon the ultimate plan design. The discount rate will need to be set based upon the actual funding policy of the City.
- **Part D Reimbursement** - While not reflected in GASB 45 calculations, the reimbursement does reduce the economic cost of the program.
- **Fund Subsidy** - Fund \$75 /\$90 annuitant subsidy expires by statute in 2013
- **Health Care Reform Effects** – Retiree Only plans are exempt from most requirements. Whether the Cadillac tax would ever apply is questionable. The projected calculation indicate claims cost would be less than the threshold. Any other impacts of Health Care Reform, such as lowering or increasing trends, has not been explicitly reflected in the calculations.

Sample Alternative Design Options

- ▶ Eliminate subsidy for dependents (i.e. employed spouse with coverage alternative).
- ▶ Modify Plan Provisions:
 - Limit Networks to lower cost providers
 - Increase deductibles, coinsurance, out of pocket limits, etc.
 - Redesign prescription drug benefits – Modify co-pays etc.
 - Eliminate Over 65 Drug Benefit – Retiree purchase in marketplace
 - Implement Employer Group Waiver Plan for Medicare Part D (EGWP)
- ▶ High deductible plan (\$2,500+). Add HSA for employee pre-funding accounts.
- ▶ Reduce benefits and/or City subsidy by participant categories
 - Currently retired, within 10 years of retirement, all others, etc.
- ▶ Extend sunset to 2014 (coordinate with implementation of Health Care Reform exchanges).
 - Eliminate over 65 coverage for employees not currently retired
 - Modify/Reduce under 65 coverage
- ▶ Replace with defined contribution account based plan for Medicare Eligible retirees

Next Steps

- ▶ Develop Budget Ranges
 - Cost Targets
- ▶ Refine and Price Plan Design Modifications
 - Over 65 Benefits
 - Under 65 Benefits
- ▶ Consider transition/specialty groups
 - Public Safety Workers (duty disabilities)
 - Currently retired
 - Close to retirement
- ▶ Refine Actuarial Assumptions
 - Pre funding versus no prefunding
 - Revisions to economic and demographic scenarios
- ▶ Develop 25 year Projections Based Upon Selected Scenarios
 - Benefit Design
 - Eligibilities